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INDUSTRIALISATION OF HONGKONG AND COTTON SPINNING MILLS

"The chaotic conditions in China of today and the ever increasing trade restrictions which Hongkong faces in dealing with China will necessarily lead to an intensification of the Colony's industrialisation. Much capital from China has come here which waits for investment in industrial establishments; a considerable number of engineers and skilled workers are in Hongkong and the labour reservoir is almost daily swelling. Conditions for a quick return to the 1941 industrial level of production and employment are promising and encouraging and with some imagination, energy and an intelligent appraisal of different industrial propositions there should be no longer any delay in tackling a variety of jobs.

"The present is Hongkong's opportunity for expanding most of its former industrial establishments and for building up a number of modern industries."

Thus we wrote in this Review on February 19, 1947, and we continued in a following issue (of March 5, 1947) as follows:—

"Hongkong is well advanced on the road towards full rehabilitation. Many favourable circumstances have conspired to bring about conditions here which guarantee further all-round progress:—the resourcefulness, energy and confidence of the merchant community; an early realisation of the leading members of the community of the potentialities of this place in the centre of the Far East and enjoying the privileges of a member of the British Commonwealth family; the temporary substantial reduction of Japanese production and trade in the Far East; a vast backlog of consumer goods demands; the desire of all Far Eastern peoples to raise their standard of living; a sound, best-intentioned and intelligent local government characterised by the application of the principle of committees and consultation, and a progressive outlook (though often too ponderous)—these and many more factors have contributed to Hongkong's singular rehabilitation success.

"The preparatory stage, viz. rehabilitation of general conditions in Hongkong and a firm promise that progress as witnessed in the past will continue, has now been reached, and, receiving added momentum from the unfortunate conditions prevailing in neighbouring China, the stage for planned industrial construction is about to open. The opportunity, a historic opportunity, is here."

Progress In 1947

The surprisingly fast tempo of rehabilitation and modernisation of local industries as well as the construction of new factories in the Colony has created a very large measure of favourable comment in London and all Far Eastern capitals. That so much was achieved in so short a time and under considerable difficulties and post-war shortages is a most creditable reflection on the ability and resourcefulness of industrialists, of Government and of the community at large.

Industrialisation of large areas of the economically backward Far East was, of course, only a question of time. The impact of the first world war and the commercial opportunities created in the wake of it urged governments and industrialists in the Far East to enter into competition with the advanced Western countries and to build up national industries on an increasingly large and ambitious scale. These efforts, by and large, were not successful however; scientific research, technology, education of workers, financing and management left much to be desired. While general progress in China during the early thirties was remarkable the feudal character of the nation's government, the psychological opposition to Western ways and methods, and illiteracy of the vast majority of the people militated against any speedy advance such as was witnessed, since the beginning of this century, in Japan.

Hongkong has been regarded as economically part of China and, to a certain extent, that was true before the last world war; industrially the

Colony was unimportant and it was only after the start of the second world war (1939) that British orders for locally manufactured goods supplied the necessary stimulus for expansion of industrial production. Hongkong's industrialisation started with the outbreak of the war in Europe and the community experienced, on account of this unexpectedly successful effort to build factories and produce the goods required by Britain, veritable boom conditions right up to the start of the hostilities with Japan (December 1941).

When the liberation came in September 1945 the effects of war, looting, lack of maintenance of plant and machinery, dispersal of the Colony's skilled and semi-skilled labourers etc. were considered to be so devastating that only incurable optimists dared to look into the future with some confidence. But the almost impossible has happened—within only 2½ years after the return of British law and order and protection the commercial and industrial community of this Colony has found back to the best times of pre-war prosperity. As great progress was recorded by bankers and traders, builders and shippers, the industrialists did not lag behind, in fact they have, in many instances, overtaken the general level of advance.

There are at present some 1,300 factories and workshops operating in the Colony which are registered or are about to be registered with the authorities, and some 300 or 400 small-scale industrial enterprises are in the business without having registered as yet or are not obliged to register. The total number of industrial workers here is some 65,000 in registered factories plus an estimated 15,000 labourers in unregistered industrial enterprises. Next to shipbuilding, the cotton textile and clothing mills with almost 15,000 workers are Hongkong's leading industry.

The Cotton Spinning Mills

Many new branches and types of industrial enterprise have been introduced here during last year but the establishment of cotton spinning mills has been the by far most important feature. The plans for the current year envis-

age further expansion and it appears that the Colony may soon assume the position of a competitive exporter of cotton yarn in addition to the large variety of piece goods and knitted and made up goods which have formed a mainstay of local production both for export and domestic consumption. There are already established 6 mills (as outlined in an article elsewhere in this issue) here which will be, or are already operating 120,000 spindles; their production of yarn should be together 7,200 bales per month, a quantity which is in excess of the demand coming from local knitting and weaving mills. The investments made or to be made by the six cotton spinners is around \$110 million and employment to more than 4,000 men and women will be given. More cotton lords are planning to establish their mills in the Colony and it is probable that within 12 months from now there will be more than 150,000 spindles in operation here. An increasing number of mill-hands will find employment in the Colony and trade, finance, and transportation should greatly benefit from the expansion of the cotton spinning industry.

The immediate effects of the operation of local cotton mills will be felt by the knitting and weaving industry who may soon secure their full yarn requirements at prices considerably lower than now are paid for imported yarn, and there is reasonable hope that lower production costs, hand in hand with improving skill, with installation of modern machinery and with better marketing methods should increase foreign demand for Hongkong made textiles, and thus create conditions of full employment and new interest for the establishment of more weaving and other textile factories.

When reviewing the industrial position of Hongkong, at the meeting of Legislative Council last March 19, H.E. the Governor of Hongkong emphasised the importance of the establishment of cotton spinning mills in connection with the rest of the local textile industry which thus will be put "on a properly integrated basis." The prosperity of Hongkong will be increasingly linked to the progress of industrial production here and it is therefore well to bear in mind the warning uttered by Sir Alexander Grantham when addressing Legislative Council:

"What are the prospects for the future? The seller's market is rapidly vanishing; consumers' resistance to high prices is affecting demand, and there seems little development which promises an early expansion of the purchasing power of the peoples of the Far East. Whilst as regards our industries, they have at present the short term advantage that, subject to raw material difficulties, they have been able to offer prompter delivery than, practically any other industrial area in the world, and this has induced buyers abroad to agree to pay Hongkong's comparatively higher prices

THE TRADE OF AUSTRALIA.

(From R. Hazzard, Australian Government Trade Commissioner in Hongkong)

Australian exports to Hongkong for the two months ended February 29, 1948, totalled Hongkong \$6,678,759, an increase of \$500,000 for the same period in 1947.

Hongkong's Trade statistics for Jan. and Feb. 1948 are as follows:—

	January	February
Imports	\$2,471,197	4,207,562
Exports	1,660,962	942,912

Imports from and exports to Australia for Jan. and Feb. 1947 were as follows:—

	January	February
Imports	\$4,377,720	776,855
Exports	398,307	318,498

Favourable Commodity Balance of Trade

Total Australian exports for the month of January, 1948 were at the extremely high level of £39,632,000 which included merchandise exports of £39,532,000.

Imports of Australia were much higher than the previous two months and totalled £28,380,000 which included £28,271,000 of imports of merchandise.

Total exports of merchandise for the seven months ending January, 1948 (£199,574,000) compared with £180,815,000 for the seven months ending January, 1947. However, a considerable amount of wool purchased before July, 1946 was exported during the seven month ending January, 1947.

Total imports of merchandise for the seven months ending January, 1948 were £185,152,000 which is much higher than the figure for the corresponding period ending January, 1947 (£112,348,000).

Australia's favourable commodity balance of trade for the seven months ending January, 1948 was £14,422,000 compared with only £3,163,000 for the six months ending December, 1947. This improvement can be largely attributed to increased exports of wool which totalled £19,770,000 in January, 1947 compared with £13,854,000 in December, 1947 and increased exports of wheat and flour which totalled £6,190,000 in January, 1948 compared with £4,707,000 in December, 1947.

When however the post-war boom ends, and competition once more is fully effective, local industry can only progress or even survive on any scale, if it can reduce costs and improve quality. This means better and more modern equipment and more efficient labour. Not all our local industrialists are fully aware of this, and it would be wise of them to prepare now for the future.

Favourable Commodity Balance of Australia With United Kingdom

Exports to United Kingdom for the seven months ended January 1948 were £80,836,000, of which £13,330,000 was exported in January. This seven months' figure is nearly double the corresponding figure for 1938/9 (£40,810,000).

Imports from United Kingdom for the seven months ending January, 1948 were £60,127,000 so Australia had a favourable commodity balance of trade with the United Kingdom of £20,709,000 for the period.

Adverse Commodity Balances With United States of America and Canada

For the month of January, 1948 Australia's imports from United States of America were £5,419,000 compared with exports of £5,189,000 giving an unfavourable commodity balance of trade of only £230,000,—by far the most satisfactory result for 1947/8. In the previous six months the unfavourable commodity balance of trade varied from about £2.4 m. in November, 1947 to £6.7 in August, 1947.

The total adverse balance of trade with the United States for the seven months ending January, 1948 is £28,253,000 (exports £19,161,000, imports £47,414,000).

Exports of wool (greasy, scoured and washed, tops, noils and waste) to United States of America in January were £4,234,000 making a total of £13,251,000 for the seven months.

Exports to Canada for January, 1948 were £596,000 compared with imports of £1,685,000. This increased the unfavourable balance of trade with Canada to £3,323,000 for the seven months ending January, 1948.

For the seven months' period, the total unfavourable balance of trade with the United States of America and Canada is thus £36,576,000.

Principal Exports

Exports of principal agricultural, pastoral and dairy products for the seven months ending January, 1948 were as follows (principal countries of destination are shown in brackets).

Butter £11,638,000 (United Kingdom £10,601,000); Beef £4,514,000 (United Kingdom £4,001,000); Mutton and lamb £3,602,000 (United Kingdom £3,385,000); Wheat £10,544,000 (India £4,995,000, United Kingdom £2,234,000 and New Zealand £970,000); Flour (wheat) £15,570,000 (Ceylon £4,992,000, Malaya £2,631,000, Egypt £1,200,000, Mauritius £1,121,000 and Acen £974,000); Wool—greasy £56,183,000 (United Kingdom £20,714,000, United States of America £12,108,000, France £8,578,000, Belgium £7,890,000 and Italy £2,929,000); Wool—scoured and washed, tops, noils and waste £18,321,000 (United Kingdom £7,563,000, France £1,787,000, Belgium £1,786,000, Canada £1,261,000 and United States of America £1,143,000).

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THE HOUSE OF JARDINE, MATHESON & CO. AND THE DEVELOPMENT OF HONGKONG

Dr. William Jardine and James Matheson

Jardine, Matheson & Co., the most famous foreign hong in China, was founded in Canton on 1st July, 1832. The history of the Firm, however, begins in the first years of the nineteenth century. Dr. William Jardine, a young doctor in the service of the Honourable East India Company, and James Matheson were the founders. The establishment of the Firm was the successful outcome of more than twelve years of hard work on the part of these two energetic Scotsmen.

In 1802, Dr. William Jardine was practising medicine on one of the East India Company's vessels sailing between Calcutta and Canton. At that time, the power of the Honourable Company in the Far East was still formidable. Under a charter granted in the seventeenth century by Charles I of England and several times renewed, the omnipotent directors in London's Leadenhall Street held a monopoly of British trade between India and China. It was the custom, however, for the Company's servants to conduct a certain amount of private business of their own. In order to regularise this, the East India Company allowed each officer and member of the crew a space about equal to two chests. What the men did with this space was their own business. The doctor soon discovered that trading was more lucrative than doctoring.

In Canton, Dr. Jardine met a naturalised Briton of Huguenot extraction named Hollingworth Magniac and learned that there were ways by which, to a small extent, the monopoly of the East India Company could be circumvented. In 1819, Jardine left his first employers and began the struggle towards establishing his own private firm.

In the meantime, James Matheson was in his uncle's business in Calcutta. His uncle one day entrusted him with a letter to be delivered to the captain of a British vessel which was on the point of departure. James forgot to deliver the letter, and the vessel sailed. His uncle was incensed at this negligence, and it was suggested that young James had better go home. He took his uncle at his word and went to engage a passage to England. "Why not try Canton instead?" an old skipper advised him.

James Matheson did try Canton. And it was there, in 1818, that he met Jardine. The two men formed a partnership which included also

Hollingworth Magniac and Beale, an English inventor of clocks and automata. At first they dealt only with Bombay and Calcutta, the so-called "country trade," but later they extended their business to London.

The activities of these four men made an important contribution towards bringing to an end, in 1834, the monopoly of the East India Company in China.

Establishment of the private firm of Jardine, Matheson & Co.

For a long time the East India Company had been growing increasingly unpopular in Britain. Men such as Sheridan, Elliot, Fox, Windham, and the fiery Edmund Burke were its bitter enemies. Many British people believed that freedom of the seas and freedom of trade were synonymous. They had fought for years to establish this freedom, only to see it threatened by a King's charter to a group of London merchants. Further, certain high-handed methods used by the East India Company in dealing with competitors aroused the moral indignation of the British at home.

Nevertheless, open competition with the East India Company was risky business. The Company was empowered to punish transgressors vigorously—even to the extent of hanging. Occasionally, free traders did manage to secure a license from the Company to engage in the "country trade," usually with India, but never with Britain. In rare instances, other free traders, called "interlopers," competed with the Company. The interlopers usually were friends of the Government in England from which they had been able to obtain some form of charter of their own. Sooner or later, however, the East India Company always managed to have these other charters revoked.

There was one method, however, by which a Briton could establish a business on the East India Company's preserves. He could accept the consulship of a foreign country and register under its laws. This method was employed by Jardine to establish himself in Canton. Magniac had obtained an appointment from the King of Prussia, and later James Matheson represented Denmark and Hawaii. On this basis the partners had nothing to fear from the Company. In fact, relations between these two and the East India Company seemed in time to have become amicable. It is recorded that when ships of the East India Company were detained outside the harbour by the authorities, Jardine offered his

services "without fee or reward." These services saved the East India Company a considerable sum of money and earned for Jardine, the Company's gratitude.

By 1830, the enemies of the East India Company had begun to triumph, and its hold on trade with the East had weakened noticeably. Furthermore, at this time, both Magniac and Beale were getting ready to retire. In 1832, two years before the East India Company finally was dissolved, William Jardine and James Matheson entered into formal partnership as a private firm. And a private firm Jardine, Matheson & Co. remains to-day.

Establishment of the Firm in Hong-kong

In 1834, the first free ship, Jardines' *Sarah*, left Whampoa with a cargo of tea for London. This was the signal that showed the East India Company was no longer a power in the East. Immediately there was a rush from many quarters of the globe to participate in the fast developing China trade. Tea had become the most valuable export commodity of the Far East. Since the middle of the seventeenth century this fragrant and palatable drink had been growing in popularity in Britain and the British colonies. But the trade in teas was far from simple. In those days, it was inevitable that the ever rapacious tax collector would be attracted by such a fruitful source of revenue. The tax on tea was often as much as two hundred percent of the value. This exorbitant taxation gave rise to widespread smuggling which became an additional hazard to legitimate business. To profit in the China trade, it was necessary to be ahead of all competition both legitimate and otherwise. Only the strong and vigilant could hope to survive. Each year, fast ships from Britain, Europe, and America lay ready at the Chinese ports to load the first of the new season's teas. The ships raced home with their precious cargoes, each attempting to be the first to reach the consumer markets, thereby obtaining the premium prices offered for the early deliveries. These were the days of the romantic China clippers.

Jardines became so well established they commanded an enviable portion of the China trade. Raw and manufactured goods were imported from India and the United Kingdom. Teas and silks were exported.

In 1842 a move of historic importance was made. In that year the Firm built the first substantial house and established their head office on the recently

acquired island of Hongkong. This began an era of increased prosperity and expansion. New offices soon were opened in the trading centres of Shanghai, Foochow, and Tientsin. Since then Jardines have never ceased to expand.

William Keswick, the young nephew of Dr. Jardine, was sent to Japan in 1858 to open up trading for the Firm. He established an office in Yokohama. In Japan, Jardines also expanded rapidly and additional offices were opened—in Kobe, Nagasaki, and other ports. From the beginning, a large and profitable business was conducted in imports, exports, shipping, and insurance.

By the end of the nineteenth century, business in the Far East no longer was confined to simple trading. Industrial expansion had begun. In its wake, the Indo-China Steam Navigation Company had been formed. To aid further in this development, Jardines had created insurance companies. They built cotton mills. Great wharves and warehouses were set up. Cold storage and press packing plants for China's widening export trade were erected. A more recent example of enterprise was the building of Ewo Brewery in 1935. The directors of Jardines have built a great modern business structure on the foundation so solidly laid by the pioneers of the Firm.

War and Reconstruction

In 1932, after the first Japanese attack on China, the Firm closed its offices in Manchuria; when the Japanese went in, Jardines walked out. When the war came in 1941, the Japanese took over all Jardines interests in Hongkong and occupied China—but not before offices of the Firm had been established in Chungking, Kunming, and Bombay. Contact with the war-time world of Chinese official and commercial life thus was maintained. The house flag was kept flying.

Immediately on cessation of hostilities, the staff from these offices and from internment camps in China were first in the field recovering the Firm's properties from the Japanese forces.

Today Jardines stand as securely as ever in Hongkong, Shanghai, and other cities of China. Wherever trade is possible in China, Jardines are there.

In the summer of 1947, as soon as the authorities permitted, Jardines re-entered Japan. From that date, the task of re-establishing their former wide interests in that country has been under way.

In Formosa (Taiwan) Jardines have maintained offices since early in the last quarter of the nineteenth century. Today the Taipei office not only is the leading tea exporter to Europe, Asia,

and America, but also is engaged in shipping and in general export and import business.

Jardines are playing their part in the great task of helping China's reconstruction and rehabilitation. It has always been the Firm's policy to support, by every means, the efforts of the Chinese Government in the promotion of their post-war export trade. For instance, during the opening season, Jardines shipped about fifty percent of the total quantity of China teas that were exported. Jardines also signed, with others, the first post-war contract for the export of frozen and dried eggs. They were the first shippers to effect sales abroad of Manchurian soya beans. The efforts of the Firm have been of material help in re-establishing Chinese produce in world markets.

Scottish Leadership

In 1832, William Jardine retired and returned to Britain, after which the Firm was administered by James Matheson, together with Andrew and David Jardine, nephews of the bachelor doctor.

James Matheson was able to instill in the younger men the principles of initiative and tenacity by which the older Jardine had been so successfully guided. Matheson is credited with the founding of the first newspaper in China, the *Canton Register*, in 1827. For many years he was a familiar and respected figure in China, and under his guidance the prosperity of the Firm steadily increased. In 1851, Matheson was made a Baronet, under the title of Sir James Matheson, Bart., of Lews. He returned to Scotland and became a member of Parliament. He was succeeded in the Firm by a nephew, who, however, retired in 1852. Since that date no member of the Matheson family has participated in the Firm, although the name is still retained.

Following Andrew and David Jardine, a third nephew of the old doctor, Robert Jardine, inherited the leadership of the Firm. He was succeeded in turn by his son and grandson. The latter is the present Sir John W. Buchanan-Jardine, Bart.

From the earliest days of Jardines' prominence, the great names of trade in China were synonymous with those of the Princely Hong: Jardines, Johnstones, Keswicks, Bell-Irvings, Patersons, Landales, and others. It is interesting to note that all of them came from the same county in the south of Scotland: Dumfriesshire. Even today, the directors of the Firm, D. F. Landale, John Keswick, F. A. Pollock, R. Gordon, and D. L. Newbigging, all hail from Dumfriesshire or nearby.

While the leadership of Jardines is Scottish through and through, the Firm is international in its dealings. The staff of Jardines is British, Chinese, European, and American—and so is the business conducted. Seldom, if ever, has there been a more cosmopolitan or a happier family.

The Shipping Interests

From the earliest days of the Firm, shipping can justly claim to have been the most prominent among the many and varied enterprises of Jardines.

It was the practice of Jardines to possess the fastest and best-handled ships that money could buy. The Firm did this in order that its leading position could not be assailed. In the early days, it was often possible to make a fortune with the exclusive possession of market or budget news for a period even so brief as a few hours. Conversely, a fortune could be lost if the despatches from home were late. The keen competition for faster and more efficient shipping helped immeasurably in the rapid development of trade with the Far East. It was due largely to the excellence of the fleet that Jardines outlived all rivals. In the days of the sailing ships, many of the most famous clippers were those of the Company's fleet. Among these were illustrious names such as *Red Rover*, *Falcon*, and *Sylph*. The last-named clipper made a sailing record that was never beaten. It sailed from Calcutta to Lintin in the Pearl River estuary in seventeen days, seventeen hours.

The first merchant steamer in China, the *Jardine*, was built to order for the Firm in 1835. She was a small vessel intended for use as a mail and passenger carrier between Lintin, Macao, and Whampoa. However, after several trips, the Chinese authorities, for reasons best known to themselves, prohibited her entrance into the river. She perforce had to be sent to Singapore.

The first steam ships owned by Jardines ran chiefly between Calcutta and the Chinese ports. They were fast enough so that they could make the 1,400-mile trip in two days less than the P. & O. vessels.

As time passed, more and more ships were procured for Jardines' fleet. The ports of call were extended as conditions allowed. The Firm was among the first to send ships to Japan, and at an early date established a regular service between Yokohama, Kobe, and China's ports.

Until 1881, the India and China coastal and river services were operated by several companies. In that year, however, these were merged into the Indo-China Steam Navigation Company, Ltd., a public company under the management of Jardines. The activities of this company extended from India to Japan, including the Straits Settlements, Borneo, and, of course, the China coast. In the latter sphere, the "Indo-China" developed rapidly. The company pushed inland up the Yangtze River on which a specially designed fleet was built to meet all requirements of the river trade. For many years, this fleet gave unequalled service.

Jardines established an enviable reputation for the efficient handling of shipping. As a result, the Royal Mail Steam Packet Company invited the Firm to attend to the Agency of their Shire Line which operated in the Far East. This occurred shortly before the first World War and necessitated a further expansion of the Firm's shipping organisation. To-day, no less than fifteen internationally known British, Canadian, and United States shipping companies entrust their agencies to this organisation.

In China, the bulk of freight emanates from domestic sources. On account of this an efficient and well-connected Chinese staff is maintained at all Jardines' branches. These branches are continuously in touch with the special features and tendencies of the Chinese markets.

With the disappearance of Japanese competition as a result of the war, and with the resurrection of China's merchant navy, shipping conditions in the Far East have changed vastly. The business demands an extreme degree of flexibility in the operation of foreign shipping. Jardines possess a rich fund of experience which was gained in the pioneering years of the last century and which extends through two world wars to the uncertainties of the present day. Jardines' shipping organisation offers unequalled service to ship-owners, not only in the great ports of Hongkong and Shanghai, but at every major coast port in China and also in Japan. In addition, since World War II, the Firm has been operating the Australia-China Line, an enterprise owned jointly with Commons Bros., Ltd., of Newcastle. This line runs from Australia to Hongkong and Shanghai.

Jardines are leaders also in Sino-foreign shipping co-operation.

Interests in Wharves and Warehouses

(1) HONGKONG

On the initiative of Jardines and the late Sir Paul Chater, the Hongkong & Kowloon Wharf & Godown Company was formed in 1886. Since that date, the chairmanship of the board has been held by the managing director of Jardines.

At the property known as Kowloon Point, ten ocean-going vessels of up to thirty-two feet draught can be berthed regardless of the state of the tide. At the West Point property on Hongkong Island itself, one coastal vessel can be accommodated.

Kowloon Point provides storage space for about 750,000 tons of cargo. The transit sheds have been designed specially to provide maximum light and sorting space. The godowns are six-storeyed, of reinforced concrete, and are fully equipped with cargo lifts and cranes. A treasury, or strong room, capable of storing up to 500 measureable tons of bullion or other valuable cargo, is a part of the facilities offered.

The company also operates a launch and lighter fleet for the discharge of vessels at buoys and for general trans-shipment work.

(2) SHANGHAI

Following an amalgamation of several local wharves in 1875, Jardine, Matheson & Co. were appointed general managers of the Shanghai & Hongkew Wharf Co., Ltd. In 1883, the Old Ningpo Wharf was added, and in 1890 the Pootung Wharf was purchased to complete the Company's already extensive properties. For three quarters of a century, therefore, Jardines have served the great port of Shanghai.

The Company owns some 3,000 feet of the most valuable wharf frontage on the Shanghai side of the river. On the opposite, or Pootung, side their frontage extends to 2,550. The wharves are capable of accommodating ten large ocean-going vessels at a time.

Before the Pacific War, the Company possessed godown, or warehouse, space of 2,505,000 square feet. Unfortunately there was considerable destruction by the Japanese. Rehabilitation progressed rapidly, however, and the standard of efficient working for which the company is well known has been re-established.

Railway Building in China

Jardines were the first to be interested in building railways in China. As early as 1864 Sir Robert McDonald Stevenson, a distinguished railway engineer and son of the famous inventor of the steam engine, was brought from India to assist the Firm in putting its plans into practical operation. An attempt was made to persuade the Chinese Government to adopt a comprehensive plan of railway development. The first railway was laid down in 1876 when a short narrow-gauge line was built between Shanghai and Woosung. Its activities were suspended as a result of a suicide on the line. The outcome was that, after only a few weeks of operation, the line was removed and rebuilt in the island of Formosa.

At that time, the Firm, in partnership with the Hongkong and Shanghai Banking Corporation, organised the British and Chinese Corporation. Its purpose was to construct, develop, and supervise Chinese railways. The two firms acted as joint agents. In this way, finance was arranged through the bank, while purchases of rolling stock and supplies and the major part of the construction was put into the hands of Jardines. It was not until 1811 that any other private interests had a role of any consequence in the development of Chinese railways.

The British and Chinese Corporation, with offices in Shanghai, still operates and is ready to advise and help in the rehabilitating of China's war-torn railway system.

Airways Department

Keeping abreast of the times, Jardines have opened an Airways Department. Whether acting as general agents, traffic handling, or booking agents, the Firm gives the same efficient service to international air lines as their shipping organisation for the past half century has been giving to ocean shipping companies of the world.

The Firm has formed in Hongkong an Air Maintenance Company which will bring the most up-to-date technical and maintenance facilities to the many air lines operating from and through Hongkong.

The British Overseas Airways Corporation has appointed Jardines as their general agents for Hongkong and China.

Insurance Interests

The forerunners of Jardines, as early as 1804, were the first to found an insurance group in China. Magniac & Company, in conjunction with another firm trading in Canton at that time, established the Canton Insurance Society. Each firm acted as secretary for alternate triennial periods until 1835 when the coalition ceased. The following year, Jardines established their own Society. Many years later, this company was reorganised under the Companies Ordinance and incorporated in Hongkong; the present name of this company, for which Jardines act as general agents, is the Canton Insurance Office, Ltd.

In the early days, the Company was established primarily for underwriting marine risks, but now fire and accident insurance also are included. Built solidly and conservatively—the net assets exceed by twenty times the issued capital—and supported by a wealth of experience, the "Canton" now has agencies established throughout the world.

In addition to the Canton Insurance Office, Ltd., Jardines founded the Hongkong Fire Insurance Co., Ltd., in 1866 for the original purpose, as the name implies, of writing fire insurance. Today, this company has extended its activities to include also marine and accident insurance. In line with Jardines' standards of financial responsibility and stability, this firm is so solidly established that its net assets exceed by more than ten times the issued capital.

For the purpose of managing these two companies, and in order to handle effectively the interests of many famous insurance companies which have placed their agencies with Jardines, the Firm maintains a capable and well-qualified insurance staff at each of their important offices and branches.

The Jardine Engineering Corporation, Ltd.

The Jardine Engineering Corporation, Ltd., was founded in 1923 as a private limited company. Its purpose was to take over the business of importing machinery into China. Previously, this had been done by the Firm's Engineering Department. The new company was formed in order to be in a position to cater more efficiently to the evergrowing needs of the Chinese. This policy has resulted in the development of a large and vigorous corporation. Offices have been established in Shanghai, Hongkong, Tientsin, Chungking, and Nanking, and further branches are being created as the need for this company's services becomes apparent. The Corporation represents many of the greatest engineering and manufacturing names in the world. A complete field of engineering and equipment requirements is covered.

Ewo Cold Storage Company

The Jardines-owned Ewo Cold Storage Company was established in 1920 on the Shanghai river front for the manufacture and export of dried eggs. Two or three years later, extensions were made to permit the processing of liquid and shell eggs, as well. Since then, each year, large quantities of these products have been prepared under the most hygienic conditions for shipment abroad, mainly to the United Kingdom.

During the past quarter century, export trade in eggs and egg products has become an increasingly important factor in China's economy. Immediately prior to the outbreak of the Pacific War, egg trading was high in the list of leading exports. During the war, the Japanese occupation forces gravely diminished the stock of poultry. However, this handicap was quickly overcome, for poultry production in China was never confined to large centres, difficult to reconstruct; instead it is chiefly in innumerable small units scattered over vast areas.

Ewo Cotton Mills, Ltd.

Ewo Cotton Mills, Ltd., is a limited liability company (registered in Hongkong), managed by Jardine, Matheson & Co., Ltd. The Firm was first in the field in the cotton industry in China, having established the Ewo Cotton Spinning and Weaving Co. in Shanghai in 1895. Subsequently two other mills were started up in Shanghai—the Yangtzepoo Cotton Mill and the Kung Yik Mill. In 1921 these three companies were amalgamated as Ewo Cotton Mills, Ltd., which concern operated 175,000 cotton spindles and 3,200 looms before the war. In addition the Company extended its activities to include the manufacture of waste cotton products, jute materials, and worsted yarns and cloths. The Company suffered considerable loss of machinery during the war, but its products, which have always enjoyed a high reputation, are back on the market again.

Ewo Press Packing Company

Under the name of Ewo Yuen Press Packing Company, the Ewo Press Packing Company was established in Shanghai in the year 1907. It was then owned jointly by Jardines and a Chinese partner. This partner decided to retire, and in 1919 Jardines became sole proprietors under the present name. The company operates a total floor space of 125,000 square feet, providing a normal annual output of 40,000 to 50,000 bales. Double this quantity has been achieved in peak years. The activities of the concern cover raw cotton, cotton yarn, waste silk, wool, hides, goatskins, and other commodities for which press packing for shipment or storage is suitable. In addition to the packing facilities offered by the company, well-lighted and airy rooms are available to the public for sorting, grading, and storage of all types of cargo.

The plant is advantageously situated near the mouth of the well-known Soochow Creek. Whether the merchandise is destined for inland, the coast, or abroad, this location provides economical and ready access to the transporting vessels lying in the harbour of Shanghai.

Ewo Breweries, Limited

Although it is the youngest of Jardines' enterprises, Ewo Breweries, Limited, is already as flourishing a concern as any controlled by the firm. It was founded in 1935, its production commenced in 1936, and Ewo Breweries became a public company under Jardines' management in 1940. The brewery, built on the outskirts of Shanghai, passed unscathed through two Japanese wars, in 1937 and 1941-45, and during the first of them it was in the centre of hostilities; however, the staff kept to their posts, and the products from time to time found their way through the Japanese lines on to their own markets.

The brewery produces Pilsner and Munich types of beers, both being suitable to Far Eastern climatic conditions. The brewery is recognised as the finest and most up-to-date in the Far East, where the popularity of its brews is unrivalled.

Export & Import Departments

TEA: Tea is the most romantic of all China's trades and always must remain inseparably linked in memory to the hey-day of the racing clippers. Now, as in the first half of the nineteenth century, Jardines are the leading shippers. Their connection with this trade dates from 1801 when the forerunners of the Firm secured the first free license to export teas to New South Wales and Van Diemen's Land. When the monopoly held by the East India Company finally was broken, Jardines were again to the fore, this time trading under their own name. The Firm despatched the first teas to London, Liverpool, and Glasgow. Trading offices are located now in Shanghai, Hongkong, Foochow, Taipei, and Hankow.

From picturesque old Foochow and the beautiful island of Formosa, as well as from the godowns on the Shanghai Bund, ocean steamers once again are carrying valuable cargoes of Jardines' teas. The chests of teas are labelled with Old World names such as Keemun, Soochongs, Oolongs, Gunpowders, and Chun Mees, and are borne to the Mincing Lane and the tea-cups of Europe, Africa, and America.

SILK: The Silk Room, operating in Shanghai, is one of the oldest of the offices within Jardines' organisation. For over a century, the Firm has been shipping raw silk from Shanghai. Before the war, silk was shipped from Japan to America, France, Switzerland, England, and elsewhere. Also, for many years before the war, the Firm operated its own Ewo Silk Filature.

Silk inspectors are highly specialised skilled technicians. Usually, they are of Swiss or Italian descent. The Swiss who heads this Department of Jardines today is acknowledged to be the *doyen* of the silk men in China.

CHINA PRODUCE: The China Produce Department for many years has exported the raw materials of China everywhere abroad. To ensure the maintenance of Jardines' standards, large warehouses were constructed in Shanghai, Tientsin, Tsingtao, Hankow, and Hongkong, all of these cities being the trading centres for vast producing areas. The interests of the Department, accordingly, cover the products of the cold north, such as wool, furs, soya beans, oils, and oilseeds and bristles; the produce of the vast agricultural centre, which includes tung and other vegetable oils and oilseeds, egg products, bristles, and beans; and also the marketable yield of the sunny south, its tung oil, anised, cassia, and ginger. And these are only a few of the commodities which pass through Jardines from China to the markets of the world. Knowledge of individual processing and marketing requirements of these articles takes many years to acquire. Jardines' vast experience in these lines extends throughout the entire period of China's trading relations with the outside world.

IMPORTS: The main centres of Jardines' extensive (and well-known) import business are Hongkong and Shanghai, but the Department is fully represented in all of the Firm's branches. In the early days, the principal interest was piece goods, but expansion in many and varied directions has developed as China more and more showed desire to share in the goods manufactured and produced by countries far from her shores.

The range of commodities handled by this Department is amazingly wide. It runs the gamut from timber to foodstuffs, from textiles to medicines, from metals to fertilizers, and from wines and spirits to the cosmetic requirements of a lady's boudoir.

The Import Departments in recent years formed a section for the export of Chinese articles manufactured from silks and linens. This has developed into an increasing business, with an ever-broadening scope of articles of all descriptions, including those manufactured in China for the use and enjoyment of the world abroad.

The Development of the Colony of Hongkong by Jardine, Matheson & Co.

At the mouth of the Pearl River, about ninety miles from Canton, there stands a small island. It is separated from the mainland by a strip of water which, at the narrowest point, is only a quarter of a mile wide. As late as 1840, the island seemed to have no potential development value except perhaps to a few visionaries. The island lies just below the Tropic of Cancer, and its climate was always thought to be hot, humid, and unhealthy. In area the island is less than thirty square miles, and it rises steeply from the water. No one lived there except a few stonecutters and fishermen whose huts were scattered along the southern shore, and it was suspected that the island was a hiding place for pirates. Its only recommendation was a natural deep-water harbour. It was this island, together with a small strip of China's mainland that was ceded to Great Britain by the Treaty of Nanking in 1842.

Despite all obstacles of terrain and climate, in spite of opposition from many of the Canton merchants, this outpost was developed with almost incredible rapidity. Today, on the northern slopes of the island, close-packed roofs of the city blot out the natural landscape. The harbour, world-famous for its beauty; presents a scene of bustling activity; vessels from the earth's four corners come and go, small steamers sail to and from Canton, and ferryboats hurry back and forth from the mainland. The island has become a great port and trading centre in the Far East—Hongkong.

James Matheson had long believed in the future of Hongkong. His enthusiasm was not shared by many of his fellow merchants. Understandably, they preferred not to abandon their comfortable residences on Canton's Praya Grande for the bleak slopes of Hongkong Island. Bad luck made matters worse for the early builders of Victoria. In quick succession, two typhoons and two fires flattened the new settlement. An epidemic of virulent malaria almost succeeded in returning the island to the oblivion from which it had risen. For years, the *Canton Press* in Macao never lost an opportunity to ridicule and slander the venture. Even Queen Victoria was unimpressed with her new acquisition.

Once she wrote in gentle sarcasm to the King of the Belgians:—"Albert is so much amused at my having got the island of Hongkong, and we think Victoria ought to be called Princess of Hongkong as well as Princess Royal." Nevertheless, the founders refused to be discouraged.

On 14th June, 1841, the first lots were sold on Hongkong. At the instigation of James Matheson, three of these lots, comprising 57,150 square feet, were purchased for the sum of £665, and Jardines set up one of the first offices to be established in the new colony. In the beginning, the settlement consisted of hastily constructed mat sheds and wooden buildings. Jardines built the first house of consequence. It was erected at East Point, and the Firm still retains most of the original property. Among the buildings that can be seen there today is one of the old warehouses with the date 1843 engraved in the stone above the door.

Throughout the history of Hongkong, Jardines have played a large part in all the affairs of the colony. In June, 1850, David Jardine was one of the first two unofficial members of the Legislative Council. Hongkong is the head office of the Company, and, on many occasions, the managing directors have been members of both the legislative and executive councils of the government. The Firm has been closely connected with every phase of Hongkong's development. Many of the essential services that are operating at present owe their inception to the Firm. The Indo-China Steam Navigation Co., Ltd., has its head office in Hongkong. The chairmanship of the boards of directors of the Hongkong Land Investment Co., Ltd., the Hongkong & Kowloon Wharf & Godown Co., Ltd., the Star Ferry Co., Ltd., and the Hongkong Tramways, Ltd., has always been held by the managing director of Jardines in Hongkong.

There are numerous landmarks which denote the part that has been played by the seniors of the Firm in the history of this thriving community. In the early days, fevers and plagues were a constant menace to the dwellers in Hongkong, and the heat during the summer months was difficult to bear. The directors of the Firm were pioneers in building residences on the Peak where living is more pleasant and healthful.

"Jardines' Corner" is well known to the inhabitants of Hongkong, but chief among the place names associated with the Firm is a hill top known as "Jardines' Lookout." It was from here, in the days of the sailing ships, that a watch was kept for the first glimpse of the sails of the Firm's clippers coming from India and London. As soon as a vessel was signalled, a fast

whaleboat was sent out to collect Jardines' mails. The correspondence was rushed back to the office so that the directors could have the first possible information on the world's markets.

The same speed, efficiency, and enterprise of those early days still persist, and are responsible for the solid foundation on which Jardines now stand. Thus, the Firm's position as the leading foreign commercial enterprise in China remains unchallenged.

Branch Offices in China

Branches of Jardine, Matheson & Co., Ltd., are established at Shanghai (the largest office of Jardine's) Canton, Swatow, Foochow, Chungking, Tsingtao, Tientsin, and Taipei (Taiwan). The Firm has correspondents in Kunming, Amoy, Peiping, and in the Yangtze River ports of Chinkiang, Nanking, Wuhu, Kiukiang, Ichang, Snasi, and Changsha. Of these branches, Hankow and Tientsin are the greatest. Today, Hankow is mostly a ruin and a reminder of hideous warfare. Rehabilitation is sure, but it will take time. Tientsin, through which vast volumes of trade flowed outwards and inwards in days gone by, survived undamaged and is returning gradually to the position of the leading port of North China. Tsingtao, one of China's few good harbours, came through the war with little or no damage, and is fast resuming its important role in the trade of China.

Jardine Representations Abroad

Matheson & Co., Ltd., are Jardines' correspondents in London. "Mathesons" was founded in 1848 as a private house of merchant bankers, and in 1906 it became a limited liability company. It is controlled by Jardine, Matheson & Co., Ltd., and the Keswick family. It is the leading Far Eastern house in London, enjoying an enviable reputation for enterprise and long-established reliability.

In the United States of America the correspondents are Balfour, Guthrie & Co., Ltd., New York. This is a firm of the highest standing, the centre of a network of world-wide trading and manufacturing interests.

Throughout the world, in Africa, Asia, Australia, and Europe, there are correspondents. In Calcutta, the sister firm Jardine, Henderson, Ltd. (which for many years was styled Jardine, Skinner & Co.), still maintains the closest links. These links reach back to the early days when Jardine and Matheson and the other pioneers were trading between Canton, Hongkong, and India.

INDUSTRIAL REVIEW

HONGKONG COTTON SPINNING MILLS

The following six cotton spinning mills have so far been established in the Colony:—

South China Textile Co. Ltd.; Peninsula Spinners Ltd.; Wyler Textiles Ltd.; Nanyang Cotton Mills Ltd.; Hongkong Cotton Mills Ltd.; South Seas Textiles Ltd.

Their total investments (land, buildings, equipment) exceed \$108 million. The total number of spindles in the six mills will aggregate 120,000. Over 4,200 working men and women will be employed. The monthly production of cotton yarn (20's) should be around 7,200 bales (of 400 lbs).

The establishment of two more mills is contemplated for the end of this year; their combined investments are expected to exceed \$25 million, and the number of spindles to be installed may total 30,000 turning out 2,000 bales of yarn per month. Some 1,000 mill-hands should find employment with the two spinning factories.

There are at present working in the Colony over 750 knitting and weaving mills whose average consumption of cotton yarn has recently been 5,000 to 6,000 bales per month. During the peak production period in 1947 the monthly yarn requirement was about 8,000 bales.

When the six spinning mills will take up full operation there should be no longer any need to import yarn of common counts, on the contrary some export surplus may be profitably disposed of in Far Eastern markets.

All spindles and other mills' equipment has been purchased either in Britain or the U.S. Many orders placed by Chinese mill owners during the war years with British or American firms for post-war delivery of spindles and looms in Shanghai or other Chinese cities have been redirected for delivery to Hongkong as economic conditions in China worsened. Chinese industrialists and promoters were deterred from commencing production in China and found the situation in Hongkong attractive.

As from middle of 1947 active steps were taken by a number of industrialists and financiers to establish cotton mills and other factories in Hongkong. A group of Chinese newspapers and officials in Nanking have assailed such industrial projects and questioned the patriotism of manufacturers who established themselves outside China. Many arguments to influence capital to remain in China were advanced in Nanking but all this talk never impressed the financial and commercial community there or elsewhere; the ineffi-

ciency and corruption of the Nanking regime has proved repulsive for Chinese and foreign merchants and manufacturers.

Much has been made of the fact that some equipment was purchased during the war years with foreign exchange supplied, at the official rate, by the Chinese Govt. then in Chungking. While it is true that there was usually some difference between the official and the unofficial rate of exchange, the mill owners nevertheless paid in full for their foreign orders benefitting at times from the low official rate. The Chinese Ministry of Economic Affairs has recently tried to investigate the true position of such mills which, with war-time purchased spindles, moved down to Hongkong or redirected machinery en route for Shanghai to the Colony. The investigations proved in the end negative and the local mill owners do not expect any further attempt at interference with their business.

Assistance by the authorities in Hongkong has been often acknowledged by the new cotton mills although the multiplicity of advice and controls is not always appreciated. The establishment of an Industry Department of Government is generally deemed necessary and reports that such a development can be expected very soon finds much favourable comment.

Enforcement of labour and industrial production regulations here is very strict when compared to conditions in China. Urban Council, Public Works Department, Labour Office, Fire Brigade, Supplies, Trade & Industry Department have all tried to be helpful but there were some unfortunate cases of individuals who took advantage of their position to indulge in some squeezing.

Economics of Production

When in full operation the established 6 mills will have to import every month about 3¼ million pounds of raw cotton in order to spin 7,200 bales of 20's. (One bale of yarn of 400 lbs. requires about 450 lbs. of cotton for spinning).

Most imports will have to be effected from India and some cotton may be shipped here from North and South America. Indian first grade cotton costs c.i.f. Hongkong about \$ 1.80 per lb, ergo the monthly requirement of 3¼m. lbs should be near \$5.8 million. Production costs of the mills further include workers' wages (say, 4,200 men and women at \$ 250) over \$ 1 m. per month plus staff salaries \$ 150,000. The electric power consumption of

all mills is estimated at \$ 200,000 per month (120,000 spindles using daily 1½ million k.w. at a cost of 12 cents or lower according to bulk consumer agreements). Against the total cost of production of some \$ 7 million per month the mills may obtain from sales \$ 10 million provided that the current price of \$ 1,400 per bale can be maintained.

Hongkong Established Cotton Mills

(1) South China Textile Co., Ltd.

The mill was the first enterprise of its kind in the Colony, established in August 1947. The factory site (Tam Kung and Matauwei roads) is some 45,000 square feet. Installed are 5,000 spindles (second-hand, from U.S.), output since about a month is 10 bales per day, which are sold at \$ 1,400 per bale. Investment by the Company some \$ 10 m. The ten shareholders are all Chinese, Directors being Messrs Lee Chen-che, Lee Yao-cheong and Wong Sze-cheong. (Details in our issue Aug. 20, pp.296/7).

(2) Peninsula Spinners Ltd.

Originally named Hongkong Cotton Mills, the Company has been the second cotton spinner here. Capital \$ 5 m., Chinese owned. 8,000 second-hand spindles, purchased in the U.K., are capable of daily production of 16 bales of 20's. Factory area (Lokshan and Tokwawan roads) about 60,000 s.f. Full operation is to commence in May. Yarn produced on trial runs is equal or superior to Shanghai output. (For details see this Review of Oct. 15, pp.472/3).

(3) Wyler Textiles Ltd.

This Company was third in the cotton spinning field here. Total investments some \$ 20 million, the four Chinese shareholders (Messrs Loh Tsong-ling, Wu Tsong-yi, Loh Chou-sung, Elmer Tsu) all being connected with the Sung Sing Cotton Mills of Shanghai. The factory site measures 140,000 s.f. (Tokowan and Kweichow roads) and has been extended by reclamation to a total of 225,000 s.f. The mill has 25,000 new spindles, imported from the U.S., with a daily capacity of 50 bales. Production will commence from August. (For details see this Review of Nov. 26, pp.628/9).

(4) Nanyang Cotton Mills Ltd.

This is the fourth cotton spinning mill and the first combined spinning and weaving factory in Hongkong. The mills are owned by an Anglo-Chinese group whose capital in the enterprise amounts to \$ 25 m. Chairman of the Board is Mr. L. Kadoorie, and Directors are Messrs E. R. Hill

(director of Dodwell & Co., Ltd.), Yung Hung-yuan, Yung Hung-san, Yung Hung-ching, Wang Yun-cheng. Factory site measures 280,000 s.f., the construction of the buildings has been completed and production will start in May. The mill operates 15,000 new spindles, 200 automatic machine looms (imported from U.S.); capacity 30 bales of 20's per day and 300 pieces of cloth (12 lbs, 40 yards.) (Details in our issue of Feb. 18, pp. 160/61).

(5) Hongkong Cotton Mills Ltd.

This mill will be the largest in Hongkong with 37,000 spindles and a daily output of 74 bales, owned by the same group who have established the Peninsula-Spinners Ltd. The mill is expected to commence operation in October. The factory site measures 424,950 s.f. purchased a few days ago for \$ 740,000 (Cheungshawan sea-front). Part of the Crown land is still occupied by small shiprepair yards which are inoperative and will be removed by June when the mill will start the construction of its buildings (including godown, workers' quarters) and also a wharf for ocean ships. Construction costs will absorb some \$ 5 m. Total investments will be about \$ 30 m. China Engineers Ltd. are in charge of the establishment of the mill which will be one of the most modern and efficiently operated enterprises in the East. Machinery was ordered, at a cost of over \$ 10 m., from a leading manufacturer in Manchester. Most of the 37,000 English spindles are about to be unloaded here. More than 1,200 mill-hands will be employed mostly women from here and Canton with a few skilled workers to be recruited in Shanghai.

(6) South Seas Textiles Ltd.

The mill is scheduled to go into operation by September with 10,000 spindles at first which, as soon as adequate power supply is assured, will run 30,000 spindles and produce daily about 60 bales. About 1,000 mill-hands will find employment. The factory site is in Tsuen Wan, New Territories, measuring 225,000 s.f. The mill is financed by Shanghai textile manufacturers and the investment here will total some \$ 24 m.

New Cotton Mills

Among the serious promotion groups for the establishment of more cotton spinning mills are two important plans calling for the importation of 30,000 new spindles and a daily production of 60 bales of yarn. One group is connected with Shanghai's textile industry while the second promoters are the Yue Hwa Cotton Mills of Chengtu (Szechuan). Land so far has not been purchased by either group.

Inquiries by Chinese cotton textile industries continue actively. Even the Chinese Govt considers, through the

Hongkong Industrial Report for March

During the month of March a total of 31 factories and workshops obtained registration certificates from Hongkong Govt. As at March 31 there were registered at the Labour Office of Govt. a total of 952 industrial establishments (711 factories in Kowloon, 241 on the Island) in which about 66,000 workers were employed. Of the 31 newly registered factories 28 are located in Kowloon and three on the Island.

The total number of applications for registration which were filed at the Labour Office as at March 31 was 1,367 but 139 applications have been cancelled during the last month.

During March the number of new applications received was 11 which are at present examined by Labour inspectors.

During the first three months of this year registration certificates were issued to 69 factories and workshops, viz 19 in January, 19 in February and 31 in March.

The position of the Colony's principal industries in March did not show much change when compared with the previous month. The rubber and textile industries continued to experience difficulties in procuring raw materials or finding better markets in the Far East.

Textile Mills

In addition to marketing and supply difficulties, the Colony's 750 textile mills are still handicapped by the lack of skilled workers. Some of the mills have not yet trained sufficient skilled labourers to replace those who lost their lives during the war.

About 25 percent of the about 750 textile factories were non-operative last month but they were all small mills. The difficulties of the textile industry here are found in the shortage of cotton yarn and in the reduction of exports to Malaya and Indonesia, as well as in the competition offered in the local and overseas market by Shanghai and Canton manufactured piecegoods. The price of Chinese made piecegoods has

Textile Industries Inc., to establish a large mill in the Colony. Woollen and worsted mills, already established in Shanghai, have also shown much interest in the possibilities of Hongkong.

Summary of Cotton Spinning Mills established in Hongkong.

Name of Mill	No. of Spindles	Daily Output (bales)	No. of Worker	Investments in millions
South China Peninsula	5,000	10	200	\$ 4
Wyler	8,000	16	400	5
Nanyang	25,000	50	800	20
Hongkong	15,000	30	600	25
South Seas	37,000	74	1,200	30
	30,000	60	1,000	24
Total	120,000	240	4,200	108

been recently about 20 percent cheaper than in Hongkong.

Rubber Goods

As overseas markets especially those in the Philippines and Siam are dull, many of the small sized rubber factories here did little business in March. A few larger works continued with the production of the big order from the United Kingdom which was received in December for 2,500,000 pairs of Wellington Boots and water proof rubber shoes. The first batch of 500,000 pairs left the Colony for London towards the end of March following the favourable decision in London with regard to the Imperial Preferences to be granted for Hongkong rubber goods. Some rubber factories received in March substantial orders from S. Africa and London for rubber toys fitted with "squeakers."

Hand Torches

The hand torch industry experienced quite good business in March, but the recent import restrictions enforced by the Governments of India and Siam will probably result in considerably reduced production in the near future. The production cost of hand torches is expected to be reduced to some extent in the near future when a new company, the Tribuff Manufacturing Company, will start working. This new industry in the Colony is engaged in producing buffing compound which is extensively used for polishing hand torches and which has hitherto been imported from the United States.

Situated in Shauiwan, the Tribuff Manufacturing Company is about to commence operation and is said to be capable to turn out sufficient quantities of buffing compound for consumption by local hand torch workshops. The cost of locally produced buffing compound will be 50 percent cheaper than that imported from the United States. The factory is a small establishment but is equipped with up-to-date machinery brought here from America. The raw material for making buffing compound will be imported from Italy.

Hurricane Lamps, Tooth Brushes, Paint

Total output of the Colony's hurricane lamp factories in March recorded a 40 percent drop over the previous month due to import restrictions which went into effect in India and Africa, our two main markets in the past. This industry does not expect an early recovery in the near future.

The Colony's tooth brush industry did very small business in March on account of foreign, particularly American competition (Nylon tooth brushes).

The paint industry continued to operate as usual at full capacity in Far Eastern markets. Locally manufactured paint is also used widely in the Colony. More than 200 tons of paint are exported monthly to Malaya. As the price of local paint is about 20 percent cheaper, the demand for imported paints on the local market has been much reduced.

DE-RUSTING BY ELECTROLYTIC ACTION

Post-war Development Enables Rust and Corrosion to be Removed without Need for Dismantling Components

The merits of a process which enables rust and other forms of corrosion to be removed without interference with the sound metal beneath and without the need for dismantling in the case of mechanical components, are too obvious to need stressing. A process which achieves these results has been developed since the war, following a series of war-time experiments.

The initial experiments were carried out in the early days of the war, when an experimental plant was installed by Modern Machine Tools Ltd., of Coventry, under the auspices of the Ministry of Supply, with the object of salvaging valuable machine tools and other manufacturing plant which had been damaged by water and exposure as the result of enemy action. After many months of painstaking experiments, the secret of successful operation of the plant still remained to be discovered and further work on the subject was abandoned.

Following the cessation of hostilities, Modern Machine Tools Ltd. resumed experimental work and finally successful results were obtained. More research work followed, and development was continued by an associate company, Derustit Ltd. which has proved so successful that plants have now been installed in many parts of the United Kingdom. In addition, companies have been formed to develop the process in Scotland, Canada and South Africa, whilst, under a French subsidiary, licences have been granted for operation in most countries in Europe, and it is now being introduced into India, Australia and the Far East.

Advantages of the New Process

As already indicated, the process is electrolytic in principle, and consists of immersing the articles to be treated in an alkali bath and passing a low-voltage current through them or much the same lines as are followed by plating. In this case, however, passage of the electric current has just the opposite effect, and instead of a deposit being produced on the articles treated, the result is to loosen any deposit already on the metal and bring it away from the surface. The chemical composition of the alkali solution is, of course, a trade secret, but it is fumeless and non-injurious to operators of the plant.

Two very important advantages over mechanical systems of removing rust and corrosion are that no sound metal is attacked, and that complete mechanical assemblies or machines can be treated without need for dismantling. The former advantage is of great benefit in that, apart from any surface metal which has already rusted or corroded, there is no reduction in the dimensions of articles treated as happens when abrasive action is employed; moreover, in the case of a surface which has become pitted but is otherwise sound, the Derustit process will remove all trace of corrosion from the base of the pitting without interfering with the sound surrounding surface.

So far as the treatment of complete components is concerned, the advantage of the system is two-fold. In the first place, it avoids the damage which is sometimes inevitable in dismantling badly rusted parts, and, in the second place, it reduces labour costs to a very marked degree, especially where intricate mechanisms are concerned.

Applications of the New Treatment

An excellent example of this latter point is provided by a number of calculating machines which have been treated. In this case, the overall size of the machines concerned is quite small, but they consist of very intricate assemblies which would otherwise require many hours of highly skilled labour in dismantling and reassembling. As it is they are treated complete, and on removal from the bath, are indistinguishable from new.

Yet a further application of the process is in the treatment of new parts in the course of manufacture. The process has already been successfully employed for removal of sand from intricate castings, whilst a further field of development is the pre-treatment of steel parts before they are painted or cellulosed, the complete removal of any traces of incipient rust being of immense value in achieving maximum adhesion of the finish and in avoiding subsequent flaking caused by the growth of rust below the final finish.

The process can be operated on all metals except aluminium, and even such assemblies as electrical switchgear can be treated without dismantling and without harm to the components, although all traces of paint or cellulose are, of course, removed.

It is not possible here to deal with all potential applications of this process, but sufficient has been said to indicate its very wide scope both in salvage and manufacture.

The Plant for De-rusting

The plant involved is quite simple and straight forward, basically it consists of five tanks in which the parts to be treated are immersed. These tanks do not require to be lined and can be constructed of ordinary mild steel plates, their size depending on the nature of the parts to be treated, which may range from small nuts and bolts to large locomotive components.

The first tank consists of a degreasing tank, the second of a hot water tank, the third of the electrolytic de-rusting tank, the fourth of a hot water washing tank, and the fifth of an oil protection bath. The degreasing, hot water tank and hot water wash are all heated, usually by gas burners.

The electrical equipment for providing the necessary direct current consists generally of either a motor generator set, a thermionic rectifier or a metal rectifier, capable of supplying a current of 30 amps. per square foot of the total surface area of anode plates immersed in the tanks at a pressure of 8 to 10 volts D.C. The fact that this class of electrical equipment is available for almost immediate delivery and at a reasonable cost is an added advantage.

From the figures available there is no doubt that the running costs are low and that it is an extremely economical way of treating quantities of corroded materials.

Reiss, Bradley & Co. Ltd., one of the oldest British trading firms in Hong Kong and China, have been granted the rights to negotiate exclusive and non-exclusive licences for the operation of this valuable industrial process in the following Far Eastern territories:—Hongkong, China, Japan, the Philippines, Siam, Singapore, Malaya, British Borneo, Brunei, Sarawak and Burma.

EXCHANGE & FINANCIAL MARKETS

GOLD TRANSACTIONS

The technical position here is not sound as imports of gold into Macao far exceed the demand of buyers in Canton, Shanghai, Hankow and other interior markets. Selling pressure by gold dealers abroad and the over-anxious attitude in Macao to cash in on this "golden" opportunity have brought the local price down to almost cost level.

The Chinese ability to absorb the very large quantities of gold offered by international bullion dealers has been overestimated; the progressive monetary inflation has, it is true, created conditions bordering on despair but the country is relatively poor and the purchasing power of the people has greatly decreased during 1947. Wealth in China is progressively accumulating in the hands of the few politically powerful groups and the retainers of the several privileged families while the masses have been expropriated and the middle class largely annihilated.

The determination of gold quotations depends on judicious balancing of the periodically increasing or decreasing demand for gold inside China and the regulation of imports via Macao. Whenever anxiety and fear mount among the Chinese people and the ravages of civil war spread the gold take-off is brisk and heavier gold imports are required; however, periods of relative calm, engendered by reassuring reports from the U.S. whose help is the basis for the continued existence of the Nanking Govt, cause a decline in demand and it is then necessary that astute gold operators curtail, by mutual agreement, their offerings so as to keep the rate on a high level.

Last week (March 29-April 3) witnessed hectic trading and much uncertainty about the possible changes of China's gold markets following the stabilising influence exerted by the adoption of America's China Aid Program. In the long run, of course, no amount of aid will avert the further deterioration of the financial position of China but it is likely that for some time the arrivals of relief supplies under the China Aid Program may slow down inflation.

Highest and lowest prices for last week (per tael, in H.K. dollars): 331½-316½; cross rates, per ounce, moved between US\$46½ to 47¾. Total spot sales: 66,000 taels (14,090 inside Exchange, 52,000 outside market). Forward sales (delivery and fictitious) almost 600,000 taels.

Shanghai opened last week at CN\$29 to 31½ million per ounce, the price went down to 26½ m. and closed 29½ m. equalling about H.K.\$365/369 per tael. Canton's illicit gold market opened at H.K.\$324 per tael, went down to 319, and closed firm at H.K.\$328/335.

Other Far Eastern markets were also stronger towards the end of the week; Bangkok 542 baht per "baht weight" of 15 grs. (or about 1,355 baht per tael) while TT Hongkong quoted there 3.69; and Singapore paid Straits \$184/188 per tael.

Rangoon, where gold in transit for India is now transacted (as India has embargoed treasure imports), was selling one tael at around HK\$380 which fact stimulated many local bullion dealers to airlift more gold into Burma. The Burmese Govt. imposes a gold import tax of 5 rupees per ounce. Much gold from Europe has kept arriving in Rangoon and some shipments of gold either unloaded in Macao or en route for Macao have previously been re-directed for Rangoon.

Gold dealers here have not been satisfied with the meagre profits of the last two weeks but the heavy imports in Macao could not but depress rates. At last week's average TT New York price one tael of gold cost HK\$285, cif Macao, to which price had to be added \$15 for Macao import duty and the customary "squeeze," and about \$8 for transport from Macao to Hongkong (where recently charges dropped not so much because of lack of vigilance on part of H.K. Revenue officers but due to the narrow profit margin prevailing at present), thus bringing the cost of one tael to H.K.\$308 cif Hongkong. In case of refining (when 22 karat sheets are imported) another \$2 have to be added to importer's costs.

Stocks held here and in Macao by dealers are some 300,000 ounces; last week's imports into the Colony from Macao were estimated at 50 to 60,000 taels while exports to China were reported at over 30,000 taels.

Total imports for January to March 1948 were estimated at one million ounces; in 1947 Macao's total imports (with and without licence) were estimated at over 1.1 million ounces. On the current scale the total 1948 gold imports into Macao destined for sale to China should be more than 3 million ozs., necessitating an expenditure of some US\$125 million a considerable portion of which could not be supplied locally (i.e. ex overseas Chinese family remittances) but will have to be purchased, as was observed during the first three months of this year, in foreign markets.

During recent weeks large quantities of gold have been directly exported from Macao to Canton and other S. China centres both by small-scale smugglers and by the organised, protected and sponsored groups. There is much reticence observed in Macao about the background of the gold import and export business as it is obviously connected with political interests of China who derive great benefits from the continued bullion trade.

In financial circles of Macao it is believed that the Portuguese authorities will soon again change the regulations governing the import of gold by facilitating the issue of permits but increasing the duty from the current \$2 and \$3 (for import and in transit respectively) to \$5 or even higher. A group of Macao financiers with first-rate connections has been deriving unusual profits from the present method of issuing of licences; they contrived to monopolise, as it were, the licence business and, through Hongkong agents, peddled the gold import licences at \$15 to 28 per ounce among bullion importers.

Large quantities of gold imported into Macao were, during recent months, purchased in Holland as the Netherlands Govt. finding itself extremely short of US\$, unofficially agreed to gold transactions at rates higher than the parity. All gold purchases are paid in New York in US\$.

Turnover

During March a total of 213,040 taels were sold here on the spot market (90,040 inside the Exchange Society and 123,000 outside the market) involving approx. HK\$70 million. During February, January and December 1947 the following spot gold sales were recorded:—146,000; 151,000; and 214,000 taels respectively. The amounts involved in February and January spot sales were approx. \$51 and \$48 million respectively.

Forward sales of gold for delivery were estimated for March at 500,000, while paper bars (fictitious gold sales) were estimated at about 1.8 million taels.

US\$ TRANSACTIONS

Highest and lowest rates last week (per US\$100): notes HK\$575-565; drafts 580-575; TT 585-580. The local cross rate moved between US\$2.74 to 2.76.

Remittances arrived here in larger than usual amounts (on account of Ching Ming holidays of the Chinese). As gold importers remained passive and merchant demand was also rather quiet the native banks reported only moderate to small sales, viz. TT New York about ¾ million, drafts 170,000, and notes 140,000. Outside the native banks' US\$ Exchange there is, of course, another quite substantial market.

While the local cross rate remains very low unofficial sterling/dollar rates have weakened especially in Near Eastern markets. However, no proper trading appears to be going on in such places so that cross rates reports from Levantine markets are not indicative of the true position of unofficial sterling. Some individual merchants or investors in the Near East have recently offered to sell sterling against funds in New York at rates similar to the local cross rate.

In the vernacular press here appears to continue some confusion about the unofficial cross rate in New York; the inexperienced journalists take Reuters New York pound note rate and persistently quote it as the "New York cross," not realising, in their innocence no doubt, that (1) no regular transactions in American or overseas account sterling take place and that therefore a proper unofficial sterling/dollar cross rate cannot be quoted, and (2) that the price for the Bank of England £1 note is everywhere much lower than quotations for transferable funds.

In this connection it may be questioned what useful purpose is being served by Reuters when quoting daily the pound note price of New York; for commercial purposes this price is irrelevant. Travellers may, it is true, find the price of some help when intending to take pound notes stealthily out of the U.S. or buying such notes abroad for carrying them into the U.K.

The local cross rate is dominated by the demand for TT New York by gold importers and their clients. As air-lifts into Macao decline, under sluggish take-off in China, the TT New York buying pressure is relaxed and sterling (or HK\$) improves in terms of US\$.

Local and China merchant demand is about balanced by the ordinary hard currency earnings of the Colony and there should always be a small surplus if not for arbitrage operations and extraneous purchases of locally accruing US\$.

The gold import policy of Macao has entirely undermined the position of the unofficial US dollar market of Hongkong. Although this has been pointed out many times to the responsible officials in Macao and the Portuguese Govt. at Lisbon has been appraised of the facts, no improvement has, unfortunately, resulted. Thus it is inevitable that as long as the Macao authorities do not co-operate with Hongkong the local US\$ price will remain very expensive.

SILVER BUSINESS

Lack of imports and high prices in Canton kept the local market in the doldrums. Some 41,000 taels of silver (in bars) were sold in the market and \$63,000 worth of coins (20 cents) changed hands. Again no silver dollar coins were available. In spite of lower TT New York quotations silver prices did not show any reaction; a tael being quoted at \$4.25, a dollar coin and 20 cents coin at resp. \$2.70 and 2.08. Exporters are not much interested to buy at current rates.

CHINESE MONEY MARKET

Central Bank of China's open market rates remain unaltered as follows:—Cover rates TT New York 255,000, London 765,000 (cross rate US\$3), gold buying 10.2 million per oz., US note buying 247,350. Appointed banks sell TT Hongkong 48,450, and TT India 58,150.

The unofficial market quoted last week:—US notes 520,000 high, 480,000 low; HK notes 90 to 94,000 (Canton quoted HK notes from 76 to 82,000) TT London 1½ million, sterling cross rate US\$2.80. Gold 26½ to 31½ million; gold cross rate average US\$58.

The above figures represent eloquent testimony in support of the opposition to the so-called open market rate policy of Central Bank.

Shanghai's money market was less tight with interest rates coming down from 40 to 35% per month (but on the Stock Exchange 45% p.m. were charged). The following figures deserve publicity as they reveal the low business morals in Shanghai and also indicate the present stage of inflation:—Cheques presented at member banks of Shanghai Clearing House (not comprising native banks) for the week ending March 27:—amounting to CN\$74.9 trillion (for the week ending March 20: CN\$77 trillion); dishonoured cheques for the weeks ending March 27 and 20 respectively CN\$1.7 and 1.5 trillion.

Hongkong's CN\$ market was strongly influenced by the Ching Ming holidays when the ancestor worshipping people return, for a few days, to their native places. On such journeys they take money with them for the folks at home which always causes a flurry in the native money market, strengthens the CN\$ price and leads to an exodus of many piculs of Chinese printing press money. It is said now in Shanghai that the money there is not worth the paper it is printed on and it is therefore quite possible that the ritual of tomb sweeping might be attended to by some people with the help of paper money.

TT Shanghai turnover on the local market last week came up to CN\$900 billion while TT Canton sold only around 108 billions. Notes of Central Bank arrived here in large quantities during the earlier part of last week—about 4 to 5 billion—as profits remain very high (average premium over TT some 20%) but towards the middle of the week money tightness in Shanghai caused a temporary reduction. The market transacted some 21 billion CN\$ spot and about the same amount forward. Speculation in forward CN money has been active last week.

CN\$ Rates

Highest and lowest rates of CN\$ on the local unofficial exchange market for 1947 and lowest rates in March 1948:—

	(in Hongkong dollars per one million CN\$)		
	Highest	Lowest	March
	1947	1947	1948
CN\$, spot	970	36½	12½
forward	730	29½	10½
TT Shanghai	860	29	9%
TT Canton	940	29½	11%

Last week's highest and lowest prices here were (per one million CN\$): spot notes HK\$ 14½—12½; forward notes HK\$ 12%—10%.

BANK NOTE MARKETS

Piastre declined and business was rather small with sales amounting to 5.9 million at rates between HK\$ 11½ to 12. Ideo notes were bought in larger amounts as currency smugglers are able to convert them, in Indo-China, into the presently issued legal tender.

Nica guilders were much in demand as speculative buying, acting on reports of impending large rubber and other produce shipments from Indonesia, assumed large proportions in this market which usually is neglected. The advance in the note rate was almost 20%.

* * * *

FINANCIAL SITUATION IN THE PHILIPPINES

In the Philippines today more money is in circulation or available for investment than at any time since the contraction of wartime spending in 1945. There are potent factors which result in the abundance of cash: (1) Increasing exports of sugar, maguay, lumber, logs, coconut oil, desiccated and tobacco products; (2) greater inflow of American dollars with the con-bonus payments and other windfalls tinuing release of war damage money, for public works projects; (3) record prices of copra, coconut oil and hemp.

The large volume of money shows every indication of continuing to rise in the coming months as the flow of American dollars into the country in the form of war damage payments, veterans payments, back pay and bonuses, and public works appropriations, and also U.S. federal expenditures of army and navy installations is greatly increasing. On top of this are American dollars which are gradually—if slowly-going into private investments. Postwar American investments so far consist largely of new capital put into the so-called gilded enterprises including insurance and banking. Private capital in the U.S. is interested in such lines as construction, real estate, manufacturing and even mining.

Note Circulation

At the end of February, total cash in circulation P798 million against P783 at the end of January and P769 million at the end of 1947. The February circulation was the biggest since early in 1946 when the abundance of money was still accounted for largely by spending by American troops and the armed services before the withdrawal of the bulk of the army. Proof of how military spending affected the volume and speed of money in circulation was the circulation report for November 1945 which placed the figure at P980 million, an all-time high record.

The year 1947 witnessed a steady expansion of circulation which was doubtless largely accounted for by civilian spending. The postwar low in monetary circulation was registered in February of last year when it was re-

ported at P645 million. The trend since then was definitely upward, with the figure passing the P700-million mark before mid-year and almost hitting the P800-million level in February.

Inflationary Tendency

There are good reasons to expect the circulation figure this year to hit the billion-peso mark for the first time in history owing to the continued inflationary tendencies. Prices of export staples are not likely to recede from the current high levels in the near future owing to the prevailing inflation in the United States and the continued scarcity of the leading money commodities, such as copra and hemp. The inflow of U.S. dollars, likewise, is expected to gain in volume and speed this year and the next. And the gap between exports and imports is being progressively narrowed as shipments of Philippine products abroad are gaining steadily while imports do not expand as much.

Cost of living indices during February, however, resumed the general downward course of 1947 following the reversal of the trend in January. This reflected largely the relaxation in the price structure of essential commodities. The large volume of money in circulation was thus construed as reflecting more the continued high prices of export or the so-called money staples, including copra, coconut oil, desiccated coconut, hemp, etc.

Savings & Bank Resources

Bank figures reflect the availability of more cash in the Philippines. Saving deposits have been steadily expanding during the last few months. At the end of February savings deposits in all commercial banks in Manila totaled (in millions of Pesos) 157 against P154, around the end of 1947. On November 1 of last year, the combined deposits of all the commercial banks in Manila stood at only 136, but by the middle of that month it jumped to 150.

The expanding bank deposits in recent weeks apparently could be a factor in the slackening retail business lately.

People seem inclined to save more with the satisfaction of a good deal of their wants in previous months and to spend less.

The briskness of retail sales is not only the barometer to the amount of money available for spending. It had been expected that more money will be flowing in this year—at a faster rate than at any time in the past.

Manila banks noted a large turnover of cash in February. The 13 commer-

cial banks' combined resources totaled P855,225,000 on Feb. 21, of nearly P12 million more than the total during the previous week. Banks loaned out a total of P354,927,000, or nearly P5 million more than the total loaned out in the week ended February 14. As of February 21, however, the banks had an aggregate cash on hand totalling P196,139,000, or about P8 million more than their combined cash on hand a week before.

HONGKONG OFFICIAL EXCHANGE RATES

AGREED MERCHANT RATES			
MAXIMUM SELLING		MINIMUM BUYING	
STERLING. 1/2 15/16	delivery within 2 months with a cut of 1/32 for every further 3 months forward.	1/3 1/32 T.T. 1/3 1/16 O/D. 1/3 3/32 30d/s. 1/3 1/8 60-90d/s. 1/3 5/32 120d/s.	
—Do—		1/3 1/8 O/D if under L/Credit.	
(East & South Africa)		1/3 3/16 O/L with L/Credit	
—Do—		1/32nd up every 30d/s.	
(West Africa & West Indies)		1/3 5/16 O/D if under L/Credit.	
RUPEES (India)	82 %	1/3 3/8 O/D with L/Credit. 1/32nd up every 30d/s.	
—Do—		83 % T.T.	
		84 % O/D.	
		84 1/4 7 & 30d/s.	
		84 1/4 60d/s.	
		84 1/4 80d/s.	
—Do— (Rangoon)	82 %	All buying rates 3/16th higher than India.	
—Do— (Aden)	82 %	84 1/4 O/D if under L/Credit.	
		84 1/4 O/D without L/Credit.	
		84 1/4 30 & 60 d/s.	
STRAITS \$	53	53 % T.T. & O/D.	
U.S.\$ 24 15/16	delivery within 2 months with a cut of 1/16 for every further 3 months forward.	25 1/4 T.T. 25 5/16 O/D—30d/s. 25 3/8 60—90d/s.	
CANADIAN \$			
U.S.\$ NOTES		25 % (Banks to pay Insur- ance and Postage).	
AUSTRALIA.	1/6 1/2	1/6 1/4 T.T. 1/6 15/16 O/D.	
NEW ZEALAND.	1/6 7/16	1/6 13/16 T.T. 1/6 7/8 O/D.	

HIGHEST AND LOWEST UNOFFICIAL QUOTATIONS IN HONGKONG

(in Hongkong dollar per tael of gold; and per US\$100)

	March 1948		February 1948		January 1948		Year 1947	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
GOLD	354	316 3/4	372	331	345	295 1/2	405	254
(CROSS RATE IN US\$	50 3/4	45 1/2	54 3/4	51 1/2	54	49	57 1/2	42)
U.S. NOTES	588	535	575	511	522	485	581	440
U.S. DRAFTS	598	542	594	511	516	490	575	454
TT NEW YORK	608	558	604	518	530	500	593	482
(CROSS RATE IN US\$ PER £	2.62	2.86	2.65	3.08	3.02	3.20	2.70	3.32)

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

	Gold per Tael		CN\$ (per one million)		Forward		S'hai Canton		US (per 100)		Guilder		Baht		Pound Note	
	High	Low	Spot	High	Low	High	Low	T.T.	T.T.	Draft	T.T.	I.C.\$				
Mar.																
29	325	323	12 1/4	12 1/2	—	—	—	10 1/4	11 1/4	568	577	582	12	34	26 1/4	13.1
30	325	316 1/4	12 1/2	12 1/4	11 1/4	10 3/4	10 1/2	12 1/4	12 1/4	566	575	580	12	34	26 1/4	13
31	322 1/2	317 1/2	12 1/4	12 1/2	11 1/4	11 1/4	11	12 1/2	12 1/2	569	577	580	12	33 1/2	26 1/4	13
April																
1	322 1/2	318	13 1/2	13 1/4	11 1/2	11 1/2	11	12 1/2	12 1/2	570	576	582	12	34	26	13
2	324 1/4	320	14 1/2	13 1/4	12 1/2	12	11	12 1/2	12 1/2	575	579	583	11 1/2	35 1/2	26	13.1
3	331 1/2	323 1/2	14 1/2	13 1/4	12 1/2	12	10 1/2	12 1/2	12 1/2	578	579	584	11 1/2	36	26	13.1

Quotations on March 29 were not recorded at the Exchange (Easter Monday).

HONGKONG STOCK & SHARE MARKET

The approaching Chinese Ching Ming holidays which usually witness a heavy exodus of Chinese to worship at their ancestral tombs, together with renewed European political uncertainties, induced caution among operators during the week, March 30 to April 2. As a consequence the market was listless with trading somewhat meager and on a selective basis. There were again only four trading days, and with the quiet conditions prevailing volume receded sharply. Transactions reported amounted to 56,394 shares of a value of approximately \$2½ millions.

Following the disappointment in the dividend declared HK Land shares declined about 10 points on the resumption of business for the week, but recovered 3 points from the low to close @ 87½. Fortunately, this is the only major dividend disappointment this year to date.

The feature of the market continues to be either a total lack of or only small offerings at current prices, which accounts for the recession of volume on declines. Usually this is indicative of a sold out position. At the close prices showed a quietly steady tone with the immediate trend remaining uncertain.

Devaluation Rumours

On the market there was again some talk about the possibility of Sterling devaluation. According to *Reuter*, an editorial in a recent issue of the *Saturday Evening Post* stressed this point once again. Factors pointing towards this possibility, during the week, were the continued firmness of South African Gold Mining dividend payers in London, a weaker Sterling quotation in the New York unofficial market, and Britain's Gold sales for the first quarter of 1948. Her total gold sales and borrowings in hard currency during this period amounted to £160½ millions against the target set by the administration of £222 millions for the first six months of this year. This will indicate to some extent what the actual gold drain will be during the current quarter. With all hard currency loans exhausted in the first quarter it will be an exceptional achievement if the gold drain during the current quarter can be kept within £62 millions!

Price Index

The Felix Ellis price index showed a net loss of 1.09 points compared with the close of the previous week. Day-by-day his averages were: Mar. 30, 146.07; Mar. 31, 145.66; Apr. 1, 145.62; Apr. 2, 145.41. The high and low for 1947 were 155.82 and 123.88 respectively, while the low for 1948 was 145.26 on Jan. 14 and the high 148.68 on February 12. It will be observed that the averages at the close were only .15 from the low for the year.

Company Reports

The Report and Accounts of the CHINA PROVIDENT for the year ending 31 Dec. 1947 showed an increase of approximately \$400,000 in the net profit while Current Assets, Investments and Loans show a surplus over Current Liabilities, including the dividend declared, of \$843,602. The Company plans extensive development embracing modern Docking facilities for eight ocean liners and up-to-date warehousing and handling of cargo. The plan envisages an expenditure of about \$5 millions which it is contemplated to raise by an increase of capital and offering the new issue to shareholders.

The net profit of the H.K. ROPE CO. for 1947 was \$285,741 from its working result. In addition there was a book profit of about \$1,200,000 from the sale of its Kowloon property. This is reflected in the general improvement in its financial position. Current Assets & Loan & Mortgage show an excess over Current Liabilities of \$1,680,251 after providing for the dividend and bonus which will total \$400,000. Fixed Assets have declined by \$543,688 to \$1,200,703.

Business Done

GOVT. LOANS 4% @ 101; 3½% 1948 @ 100½, 101.

H.K. BANKS: @ 2040; BANK OF EAST ASIA: at 135.

INSURANCE: UNIONS @ 800, 795, 785.

SHIPPING: UNION WATER BOATS at 40.

DOCKS & GODOWNS: WHARVES O. at 180; H.K. DOCKS at 32½, 31½; CHINA PROVIDENTS at 23.

MINING: HK MINES at .03.

HOTEL & LANDS: H.K. HOTEL at 19¼, 19, 18¾, 19, 18¾, 19; LANDS OLD at 86, 85, 85½, 87¼, 87, 87½; LANDS NEW at 83½.

UTILITIES: TRAMS at 22¾, 22.80, 23; STAR FERRIES at 130; LIGHTS Old at 24¼, 24.10, 24, 24.20, 24, 24¼, 24; LIGHTS New at 19.10, 19; ELECTRICS at 51¼, 51; SANDAKAN at 11; TELEPHONES Old at 47, 46½; New at 46.

INDUSTRIALS: CEMENTS at 44, 43¼, 43½, 43¾; ROPES at 20½, 20¾; DAIRY FARM Old at 55½, 56, 56½; DAIRY FARM X Rts. at 61; DAIRY FARM RTS at 27; WATSONS X RTS. at 50½, 50, 50¼, 50; WATSONS RTS. at 27.

STORES: SINCERES at 8.90.

MISCELLANEOUS: CONSTRUCTION Old at 6.

* * * *

HONGKONG STOCK EXCHANGE

The turnover for the month of March amounted to \$17.9 million against \$29.8 m. in February (the record month since the re-opening of the Exchange at the beginning of 1946) \$13.5 m. in January 1948, and \$8.1 m. in December 1947.

The turnover last week (ending April 2) amounted to \$2,290,140. Highest and lowest prices of shares sold at the Exchange:—

Name of Stock	Highest	Lowest	Shares sold
H.K. Bank	2,045	2,040	65
Union Insur.	795	785	399
Wharves	180	180	50
Docks	32½	31½	1,300
Hotels	19½	18¾	5,200
Lands, (O.)	87½	85	2,400
Trams	23	22¾	6,300
Electrics	51½	51	3,850
Lights, (O.)	24¼	24	8,300
Telephone, (O.)	47	47	1,200
Telephones (N)	46½	46	1,025
Cements	44	43½	1,350
Ropes	20¾	20½	2,300
Dairy Farm	61	55½	900
Watsons	50½	50	1,800

Other sales included:—15 Bank of East Asia shares; 250 Providents; 100 Lands, new; 200 Star Ferries; 750 Lights, new; 600 Watsons, Rts; 1,000 H.K. Mines; 200 Waterboats; 4,000 old Constructions; 500 Sincerers. Sales of the 3½% H.K. Govt. Loan of 1948 amounted to \$480,000 at par and at \$101.

GRAFTING IN CUSTOMS PREVENTIVE SERVICE

The Hongkong-China Customs agreement which remains, for its implementation, to be submitted to Legislative Council will enable Chinese Maritime Customs personnel to exercise a limited amount of supervisory work within the territory and the waters of the Colony (compare our issue of Jan. 21). Although Chinese Customs and Customs Preventive Service staff will not enjoy any executive functions a one-sided interpretation of the terms of the Hongkong-China Customs agreement may yet provide ample opportunities for grafting officials to obtain from traders large and recurrent tribute. By "overlooking" commercial cargo which is being assembled here for eventual shipment to China without being covered by an import licence by China's Export-Import Board the grafters might earn the "gratitude" of merchants as has been the practice in most Chinese ports and border stations.

While the Customs preventive personnel enjoyed, before the war, a high reputation for integrity, relative to Oriental standards, the demoralising effects of inflation and chaotic political and social conditions in China after the end of war changed the picture so fundamentally that today there is no more any surprise shown by the vernacular press if great scandals involving Customs officials are uncovered and public investigations carried on. Some of the highest functionaries of the Chinese Maritime Customs were last year apprehended when cases of flagrant and gross corruption were uncovered, and a few sensations were caused after such people had to be removed from office although, in most scandals, the ultimate outcome of legal or extralegal actions taken against the grafters was not made public.

All controls in China have remained so ineffective because of the nationwide corruption which, in the end result, amounts to sabotage of the laws and regulations of the Nanking Government. The dishonesty evidenced by the majority of lower level officials has enabled the continuation of commercial, and financial business in China which, according to law, should have long ago been reduced to a ghost existence only. The comparatively most reliable service, the Maritime Customs guards, have since last year also dropped to the level of the generally inefficient and corrupt officialdom. There are, of course, many notable exceptions among the Customs preventive service personnel but they almost disappear among the grafting multitude.

In every trader's office one can be entertained to the most revealing pieces of information about the "co-operation" between officials and merchants which has two principal effects, apart from enabling cargo to move into and out of China, viz. to increase the emoluments of officials and to increase, at a commen-

surate percentage, the price of import and export commodities. It is often emphasised, by the grafters and their sympathisers, that they are compelled to struggle for themselves as their government does not pay living salaries; while these arguments are true as far as most services, and especially the army, is concerned they are not borne out by facts with regard to the personnel of the Chinese Customs who are, by and large, better paid than the rest of China's milling officials.

The moral break-up witnessed among large sectors of the nation, particularly in the cities, has so very far advanced that all sense of "face" (or shame) appears to have vanished and what the psychopathologist calls "moral insanity" has taken possession of the minds of millions of formerly decent citizens. It is frankly admitted in Chinese circles that no amount of high salaries paid to officials would have any beneficial effects; grafting would continue just as fiercely. The whole system of civil service in China has to be changed and organised on a modern Western basis with competitive examinations, superannuation funds, pension rights as pre-requisites instead of the present generally accepted idea in China to overstaff, with relatives, government offices, exploit the power conferred upon officials, for the accumulation of wealth, while the job lasts, and resign or be prepared to be turned out by other officials (with better connections) when the nests have been well feathered.

Grafting Chinese Customs personnel have, in many cases, shown no discretion and flaunted their ill-gotten wealth before the citizens. Young men of this service whose official emoluments cannot justify their wild spending and revelling are known, here and in Macao, to have caused the envy of the less fortunate government employees whose denunciations lead, at times, to the apprehension of the most careless grafters. Fashionable places in Hongkong are frequented quite regularly by corrupt officials who, with much ostentation, and openly admitting that they are in the Customs preventive service, bask in the glitter of diamonds and bejewelled belles.

The high percentage of Shanghai people in the local (Kowloon) Customs service is rather much of a puzzle especially if one learns that so many of these officials do not speak any Cantonese or other dialects of South China (Hakka, Chiuchow etc.). One would be inclined to think that natives of Kwangtung only ought to be employed as they not only know their country and language well but also have not achieved that unsurpassed record in scientific grafting which is, in China, almost synonymous with Shanghai.

Punishment for Smuggling

The Chinese Government has promulgated with effect as from March 11 and for the duration of one year the following CODE GOVERNING PUNISHMENT FOR SMUGGLING. The paragraphs No. 5 and 6 deal with Customs and other Service personnel who are now liable, under the provisions of the new Code, upon conviction to be sentenced to long terms of penal servitude.

The text of the Code is as follows:—

- (1) Those who import or export illicitly goods over which the Government has decreed a special control, or goods which are liable to the payment of duty, shall incur a penalty of penal servitude for a term not exceeding five years.
- (2) Those, who, for the purpose of smuggling of goods on importation or exportation commit one of the following acts, shall be sentenced to penal servitude not exceeding seven years: viz:
 - (a) Resisting arrest by force of arms, thereby inflicting bodily injury on others, but not of a serious nature;
 - (b) openly assisting others to resist arrest by force of arms;
 - (c) openly assisting others to intimidate preventive officers and/or guards in the performance of their duties.
- (3) Those shall be sentenced to death, or to penal servitude for life, or to penal servitude for a term of not less than ten years who, for the purpose of smuggling of goods on importation or exportation, have committed one of the following acts:
 - (a) resisting arrest by force of arms, thereby causing death or inflicting grievous wounds on others;
 - (b) openly leading and inciting others to resist arrest by force of arms;
 - (c) openly leading and inciting others to intimidate preventive officers and/or guards in the performance of their duties.
- (4) Those who transport, sell, or conceal goods which they know to have been smuggled on importation or exportation shall receive a sentence of penal servitude for a term not exceeding two years or detention.
- (5) Customs Officers who have a responsibility in the examination of cargo and/or levy of duties thereon, as well as the personnel of railway, highway, steamship, omnibus, or aviation companies, who release, transport, sell or conceal goods which they know to have been smuggled on importation or exportation, shall receive a sentence of penal servitude for a term of not less than seven years. In cases where release, or transport, is aggravated by acceptance of bribes or of other illegal profits, the sentence shall be penal servitude for life, or for a term of not less than ten years.

THE FOREIGN TRADE OF CHINA FOR THE YEAR 1947.

(FIRST PART)

The recorded foreign trade of China for 1947 amounted to an equivalent of US\$ 477.2 million of imports, US\$ 228.6 million exports, resulting in an unfavourable trade balance of US\$ 248.6 million. Unrecorded trade for last year has been estimated in trade circles as having been in excess of US\$ 100 million of imports, and US\$ 50 million of exports. (China's treasure trade is not included in the above figures of Customs recorded and of privately estimated unrecorded trade).

IMPORTS AND EXPORTS OF CHINA FOR 1947

—in millions of U.S. dollars—

Month	Imports	Exports	Deficit
January ..	44.7	14.3	30.4
February ..	43	16.2	26.8
March ..	35.2	11.8	23.4
April ..	42.6	17.2	25.4
May ..	42.7	34	8.7
June ..	48.6	21.8	21.8
July ..	59.1	19.4	39.7
August ..	50.4	25.7	24.7
September ..	34.3	6.8	27.5
October ..	32.2	9.7	22.5
November ..	26.6	24.7	1.9
December ..	22.8	27.0	Surplus 4.2
1947	477.2	228.6	248.6

HIGHEST & LOWEST TRADE FIGURES

Following is a table of China's trade results for 1947, showing the highest and lowest trading figures for the year:—(in millions of US\$):—

IMPORTS	EXPORTS	TRADE DEFICIT
US\$ Month	US\$ Month	US\$ Month
59.1 July	34 May	39.7 July
50.4 Aug.	27.0 Dec.	30.4 Jan.
48.6 June	25.7 Aug.	27.5 Sept.
44.7 Jan.	24.7 Nov.	26.8 Feb.
43 Feb.	21.8 June	25.4 Apr.
42.7 May	19.4 July	24.7 Aug.
42.6 Apr.	17.2 Apr.	23.4 Mar.
35.2 Mar.	16.2 Feb.	22.5 Oct.
34.3 Sept.	14.3 Jan.	21.8 June
32.2 Oct.	11.8 Mar.	8.7 May
26.6 Nov.	9.7 Oct.	1.9 Nov.
22.8 Dec.	6.8 Sept.	Trade Surplus 4.2 Dec.

CHINA'S TRADE FOR THE YEARS 1935/1940 and 1946/47

(in millions of US\$)

Year	Imports	Exports	Deficit
1935 ..	341.2	208.8	132.4
1936 ..	280.5	210.0	70.5
1937 ..	279.9	245.8	34.1
1938 ..	263.9	169.4	103.5
1939 ..	406.9	116.2	290.7
1940 ..	511.4	119.4	392.0
1946 ..	605	161	444.0
1947 ..	477.2	228.6	248.6

In pre-war years China's trade deficit averaged US\$ 85 million which was well balanced by a surplus of inward over outward remittances (chiefly through Chinese family remittances). The years following the outbreak of the war between Japan and China (July 1937) worsened the trade position of China as heavy imports were required and, on the other hand, exports declined.

In the post-war years, 1946/47, economic chaos and civil war precluded a fast advance in rehabilitation. The post-war trade deficit grew until stringent import embargoes reversed the position and, during November and December, 1947, there was considerable improvement recorded. For the first time in many years the recorded trade of China showed in December a surplus instead of a deficit.

The post-war U.S. dollar values cannot be compared with pre-war dollar values on account of the depreciation of the purchasing power of the American currency. The trade figures of China expressed in US\$ should be adjusted to prewar values so as to obtain a correct view of the present trading position. If this is done it will be seen that 1947 imports of China were about 10 to 20% lower than the pre-war average while China's exports last year were only about half of what they used to be in prewar years.

Exchange Rates

The Chinese Customs foreign exchange equivalents for the purpose of computation of CN\$ into foreign cur-

EXPORTS FROM CHINA BY VALUE & GROUPS OF MERCHANDISE

—For October to December and for 1947—

—in millions of Chinese Dollars—

	October	November	December	1947 Total
Animals and Animal Products (not including Hides, Leather and Skins (Furs), and Fishery and Sea Products) ..	198,918	261,963	279,539	1,190,157
Hides, Leather and Skins (Furs) ..	8,359	37,612	17,670	121,831
Fishery and Sea Products ..	12,549	6,051	10,262	43,035
Beans and Peas ..	12,713	63,882	41,524	236,530
Cereals and Cereal Products ..	2,178	24,706	48,610	83,345
Dyestuffs, Vegetable ..	1,930	2,451	757	13,420
Fruits, Fresh, Dried and Preserved ..	13,317	11,879	21,679	70,960
Medicinal Substances and Spices (not including Chemicals) ..	5,520	5,764	21,865	61,831
Oils, Tallow, and Wax ..	71,153	218,562	345,959	1,222,042
Seeds ..	2,670	2,214	4,517	77,097
Spirituous Beverages ..	1,687	1,673	1,200	8,682
Sugar ..	15,678	370	6,061	59,838
Tea ..	6,232	48,641	116,875	230,172
Tobacco ..	326	51	382	6,397
Vegetables ..	8,798	12,610	11,656	68,376
Other Vegetable Products ..	4,225	9,021	11,660	46,453
Bamboo ..	1,811	2,087	1,609	10,932
Fuel ..	509	3,228	3,065	21,315
Rattan ..	156	155	120	801
Timber, Wood and Manufactures thereof ..	4,814	4,917	4,346	25,322
Paper ..	5,167	6,719	7,473	37,173
Textile Fibres ..	14,298	80,619	147,956	297,276
Yarn, Thread, and Plaited and Knitted Goods ..	21,793	93,267	338,743	528,817
Piece Goods ..	47,475	409,139	440,812	1,082,753
Other Textile Products ..	5,811	25,622	32,194	106,537
Ores, Metals, and Metallic Products ..	16,380	141,925	87,796	342,791
Glass and Glassware ..	510	3,042	2,816	12,667
Stone, Earth, Sand, and Manufactures thereof (including China-ware and Enamelledware) ..	4,339	13,349	13,676	47,490
Chemicals and Chemical Products ..	23,029	5,703	30,491	123,757
Printed Matter ..	107	366	747	3,234
Sundry ..	17,573	62,916	63,972	195,454
Total ..	530,040	1,560,524	2,116,048	6,376,504

(6) Railway, Highway, Steamship, Omnibus, or Aviation Company personnel who detect or know of goods which are being smuggled and fail to notify the Customs shall render themselves liable to a sentence of penal servitude for a term not exceeding three years or detention. The penalty shall be the same for those who are under duress to comply with the orders of smugglers to transport their goods but fail to bring such information to the Customs, although able to do so.

rencies were as follow (per one million Chinese dollars):—

1946 January US\$ 684.77, December US\$ 296.74; 1947: January US\$ 296.74, February 198.3, March to August US\$ 21.97, Sept. 23.85, October 18.44, November 15.84, and December US\$ 12.80.

December 1947 exchange conversion rates were fixed by Chinese Maritime Customs, in addition to the US\$ rate, as follows (per one million CN\$):—HK\$ 65.46, Rupees 54.55, Straits \$34.91, Swiss francs 43.18.

The total value of China's imports in 1947 was CN\$ 10,681 billion, and of exports CN\$ 6,376 billion. These figures do not convey anything; however, month by month the import and export figures in CN\$ for the various groups of commodities (as published below on this page under the heads of EXPORTS FROM CHINA and

IMPORTS INTO CHINA, BY VALUE & GROUPS OF MERCHANDISE) can be converted, at the Customs rate for the respective month, into foreign currencies. In this issue are published the returns for merchandise imports and exports for the months of October, November and December; the monthly returns for January through September 1947 were published in our issue of last December 10, No. 31, pages 676/679.

UNRRA Supplies

The Chinese Customs state that UNRRA supplies for 1947 valued CN\$ 3,696 billion or almost 35% of total commercial imports. The converted value would only amount to US\$ 170 million while the actual value, according to UNRRA figures, was in excess of US\$ 250 million for 1947.

During the period Sept. 1945 to end of 1946 UNRRA supplies to China

valued US\$ 266 m. The total value of UNRRA supplies delivered to China as at the end of 1947 was US\$ 540 m. (In our issue of last January 7 the UNRRA deliveries for Jan./Sept. 1947 were reviewed; and in our issue of March 26, 1947, p. 157, UNRRA supplies in 1946 were reviewed). Without UNRRA supplies the economy of China would have collapsed in 1947.

Trade in December 1947

Similar reasons as applied in November when Chinese exports strongly improved and imports were further reduced (c.f. our issue of Feb. 25, p. 180), have been responsible for the remarkably good showing of China's foreign trade in December when a surplus of US\$ 4.2 million was recorded. State purchasing and shipping abroad—often on consignment—and disposal of China produce and cotton manufactured goods at cost or under cost prices bolstered the export position. While December exports were the second highest for 1947, the import value in December was the lowest for the whole year.

There continues large unrecorded trading which fact must be considered when drawing conclusions from official trade figures.

It is unlikely that another month's trading will again result in a favourable trade balance as exportable produce and manufactured goods are available in limited amounts only and State purchases cannot be accompanied by much success in the face of general objections by traders and producers. On the other hand, the strict enforcement of import embargoes may not be possible on account of the pressure exerted by domestic manufacturers and general consumers. The early materialisation of the American grant-in-aid ("China Aid Program") will relieve, to a certain extent, the foreign exchange scarcity under which the Chinese authorities have been labouring for the last 12 months. With UNRRA relief having come to an end, the timely American help will keep the economy of Nanking going for a while.

(A review of China's trade in 1947 will be published in the next issue of this Review, on April 14.)

IMPORTS INTO CHINA BY VALUE & GROUPS OF MERCHANDISE —For October to December and for 1947— —in millions of Chinese Dollars—

	October	November	December	1947 Total
Cotton Piece Goods, Grey	10	3,930	53	5,764
Cotton Piece Goods, White or Dyed ..	215	574	833	10,656
Cotton Piece Goods, Printed ..	45	8	16	1,196
Cotton Piece Goods, Miscellaneous ..	39	179	98	1,160
Cotton, Raw; Cotton Yarn, and Cotton Thread	453,163	285,613	137,903	1,982,264
Cotton Manufactures, Sundry ..	1,333	1,679	785	9,217
Flax, Ramie, Hemp, Jute, and Manufactures thereof	22,141	46,748	49,715	229,951
Wool and Manufactures thereof ..	27,757	37,421	53,889	380,320
Silk (including Artificial Silk) and Manufactures thereof	112	887	1,048	18,699
Metals and Ores	131,946	140,326	169,236	790,802
Machinery and Tools	173,154	155,517	164,535	882,856
Vehicles and Vessels	206,822	45,715	147,710	569,708
Miscellaneous Metal Manufactures				
Fishery and Sea Products	59,434	75,813	95,942	421,932
Animal Products, Canned Goods, and Groceries	1,238	3,257	5,366	35,586
Cereals and Flour	1,441	2,350	3,525	55,183
Fruits, Seeds, and Vegetables ..	13,780	3,951	819	348,027
Medicinal Substances and Spices ..	103	135	482	3,850
Sugar	1,836	3,359	3,604	28,237
Wines, Beer, Spirits, Table Waters, etc.	1,647	1,201	3,262	28,109
Tobacco	336	574	300	1,137
Chemicals and Pharmaceuticals ..	31,285	32,323	3,862	297,692
Dyes, Pigments, Paints, and Varnishes	69,938	89,894	180,074	649,312
Candles, Soap, Oils, Fats, Waxes, Gums, and Resins	75,240	66,314	65,731	491,691
Books, Maps, Paper, and Wood Pulp	244,504	347,490	327,084	1,657,026
Hides, Leather, and other Animal Substances	80,835	121,225	162,381	653,150
Timber	3,786	2,747	5,978	45,763
Wood, Bamboos, Rattans, Coir, Straw, and Manufactures thereof	51,218	93,296	46,760	351,192
Coal, Fuel, Pitch, and Tar	3,979	3,274	3,337	31,606
Chinaaware, Enamelledware, Glass, etc.	7,906	4,035	7,840	45,674
Stone, Earth and Manufactures thereof	8,795	7,510	11,425	53,905
Sundry	1,247	1,646	1,413	14,114
	71,464	99,765	128,210	585,534
Total	1,746,766	1,678,770	1,783,232	10,681,326

nations bought more from the Philippines than they sold despite the world-wide dollar shortage; most of these countries needed Philippine copra, coconut oil, desiccated coconut, hemp and other raw materials. They heavy purchases from the United States, however, which consisted largely of rehabilitation and reconstruction items including foods, clothing, machinery and equipment and building materials, offset all the favourable trade balances.

In view of the anticipated further increases in shipments of such major staples as hemp, coconut oil and desiccated coconut, and also of the new additions to the export list—sugar and lumber particularly—it is possible that the Philippines will be able to duplicate this year the trade record during December.

An important factor for determining the course of the trade balance this year is the price level of export commodities. It was feared last year that a recession in 1948 might result in a depreciation in the value of the Philippines' major exports abroad. The outlook at the moment is that current price levels, particularly of copra and time. Even granting a decline in the hemp, will be maintained for some volume of shipments (which had already been forecast in the case of copra), the present price levels, if maintained more or less throughout the year will make up for the decrease in quantitative shipments. Present prices of copra and hemp are actually much higher than those prevailing a year ago.

Another factor which has to be considered when sizing up the possible trade balance for this year is the anticipated volume of importation. It is not likely that the Philippines can surpass appreciably the record importation of the past year. Increased local production of many of the food items which until last year the Philippines purchased heavily from the U.S. may cause a cut in the purchases of such items as fruits and vegetables canned fish and meat, and even wheat flour and dairy products. Another point brought out in this connection is that the U.S., even if there is continued heavy demands from the Philippines, will probably not be able to meet all requirements from this sector owing to the possible priority that the U.S. will give European requirements under the Marshall plan. The Philippines will certainly need more machinery and equipment, building materials and all the tools and supplies for reconstruction this year. But super-imposed on the needs of Manila will be America's domestic requirements and those of Europe. The shortages in a number of the critical items including steel products and other metals and building items are expected to continue for some time.

In 1948, even with the continued adverse trade balance, the Philippines is expected to have a favourable balance of payments as it had last year.

CHINA'S SHIPPING IN 1947.

The total tonnage of shipping, in foreign trade, which entered and cleared from Chinese ports in 1947 amounted to 20 million against 11.7 million in 1946. Hongkong's foreign shipping for 1947 aggregated 18½ million tons, or only 7% less than the whole of China. When deducting from the total of China's foreign shipping the amount of tonnage of Chinese junks (i.e. 1.7 million tons in 1947 and 1.3 million in 1946) the respective tonnage figures of shipping for 1947 and 1946 are 18.3 million and 10.4 million.

From the tabulations of Chinese shipping, by ports, by flags and by value of merchandise (percentages), which are published below, the position in 1947 will be seen.

The leading port of China remains Shanghai followed by Canton, Kowloon (i.e. the Customs area in the vicinity of the British Crown Colony), Swatow, Amoy, Lappa (i.e. the Customs area in the vicinity of the Portuguese Colony of Macao). North China ports have suffered, as did the whole economy of this part of China under the impact of civil war, having accounted only for 1.1 million tons, compared to the aggregate tonnage of South China of 8.5 million, and Shanghai's 10.3 million. By value of merchandise (imports and exports) Shanghai also continued in the leading position with 67% of the total, followed by Kowloon with 11%, Canton 5½%. The relative prosperity of South China, a consequence of the stabilising influence of the British Colony of Hongkong and the pacification of this area, is evidenced by the fact that South China ports accounted for 23% of the total of merchandise imports and exports, while the pre-war flourishing North China ports accounted only for 9½%.

Following are tonnage (entered and cleared) figures for 1947 and 1946 of principal China ports:—

	1947	1946
	(millions of tons)	
Shanghai	10.3	6.2
Canton	1.8	1.2
Kowloon	1.7	1.4
Swatow	1.1	0.53
Amoy	1.0	0.45
Lappa	0.8	0.3

The position of China's shipping for the year 1946 was reviewed in our issue of March 26, 1947 (Vol. II, No. 13).

Shipping by Flags

Leading flag in 1947 remained the U.S. followed closely by the British. European shipping has come much to the fore in 1947. Chinese steam and motor ships were on the average only 90 ton vessels while Chinese junks on the average were 72 tons each. The average tonnage of U.S. ships was al-

most 3,500, while British ships, on account of their plying largely in Far Eastern waters, averaged 1,700 tons.

Following are figures of total tonnage in 1947 and 1946 of principal flags in China's foreign trade:—

	1947	1946
	(millions of tons)	
United States	5.3	3.8
British	4.8	3.0
Chinese	3.3	1.4
Chinese junks	1.7	1.3
Norwegian	1.0	0.46
Netherlands	1.0	0.48
Danish	0.6	0.22
Panamanian	0.58	0.16
Japanese	0.51	0.35

In Shanghai's shipping return for 1947, American ships figured prominently with 4,588,000 tons out of the total of 10.3 million tons. Next came British ships with 2,303,000, Chinese 754,000, Dutch 566,000, Panamanian 558,000, Norwegian 492,000, Danish 419,000.

British shipping dominated South China's trade where it left the U.S. flag far behind. Much of Panamanian shipping is actually British owned.

Pre-war Shipping of China

In the thirties, a period of prosperity in China, the total annual tonnage (entered and cleared) in the country's foreign trade was between 45 to 75 million tons. In 1938, when parts of China came under Japanese occupation, foreign trade was reduced and the total tonnage amounted to 29 million only.

Total tonnage, entered and cleared, for the year 1938.

BY PORTS

	No.	Tons.
Chinwangtao	1,076	2,099,412
Tientsin	4,399	3,403,427
Lungkow	426	28,136
Chefoo	971	827,332
Weihaiwei	974	174,633
Tsingtao (Kiao-chow)	1,058	1,804,609
Shanghai	2,166	10,176,097
Ningpo	10	14,111
Wenchow	66	87,952
Santua	27	39,800
Foochow	46	76,113
Amoy	411	1,097,789
Swatow	1,370	2,224,308
Canton	6,827	2,968,766
Kowloon	8,064	565,924
Lappa	6,907	577,356
Kongmoon	2,352	672,145
Samshui	1,353	467,599
Wuchow	1,344	471,929
Luichow	33,208	537,946
Kiungchow	645	837,328
Pakhoi	215	277,417
Lungchow	305	1,719
Total	74,893	29,429,838

BY FLAGS

	No.	Tons.
American	318	328,920
British	9,055	12,350,327
Chinese (exclud- ing junks)	1,910	791,960
Chinese Junks ..	51,215	1,451,363
Danish	239	628,088
French	161	1,005,939
German	280	1,448,611
Greek	22	55,670
Italian	145	725,851
Japanese	5,473	6,484,620
Netherlands	612	1,013,095
Norwegian	897	1,833,774
Panamanian	30	66,186
Portuguese	3,623	953,564
Swedish	29	103,878
Others	384	187,992
Total	74,893	29,429,838

Vessels Entered from and Cleared for Abroad: BY FLAGS

Flag.	Total.		January-December 1947.		Cleared.	
			No.	Tons.	No.	Tons.
American	1,584	5,334,730	812	2,694,202	772	2,640,528
British	2,860	4,872,091	1,432	2,426,386	1,428	2,445,705
Chinese (excl. Junks)	35,702	3,331,886	18,153	1,699,686	17,549	1,632,200
Chinese Junks ..	23,006	1,701,722	11,826	849,044	11,180	852,678
Danish	157	622,566	79	305,304	78	317,262
French	12	80,630	6	40,315	6	40,315
Greek	4	15,650	2	7,825	2	7,825
Italian	2	7,314	1	3,657	1	3,657
Japanese	179	510,071	92	256,578	87	253,493
Netherlands	217	1,062,946	110	545,102	107	517,844
Norwegian	542	1,088,981	262	534,973	280	554,308
Panamanian	123	579,866	62	287,587	61	292,279
Philippine	125	257,048	60	130,356	65	126,692
Portuguese	78	26,782	39	13,391	39	13,391
Swedish	78	252,984	38	123,017	40	129,967
U.S.S.R.	49	156,308	25	78,617	24	77,691
Others	61	131,916	29	58,030	32	73,886
Total	64,779	20,033,491	33,028	10,054,070	31,751	9,979,421

Chinese Ports in 1947

PERCENTAGE OF VALUE OF
MERCHANDISE

Imports and Exports of Merchandise during the years 1946 and 1947: By Ports: In per cent of totals.

	IMPORTS		EXPORTS	
	1947	1946	1947	1946
Newchwang ..	0.03	0.03	—	—
Chinwangtao ..	2.15	0.38	1.71	0.43
Tientsin	4.23	3.05	7.93	11.15
Tsingtao	1.29	1.42	0.74	2.90
Chungking ..	—	0.06	—	0.05
Hankow	—	0.09	—	0.01
Nanking	—	0.03	—	—
Shanghai	74.77	85.33	60.39	61.95
Ningpo	—	0.01	—	—
Foochow	0.06	0.06	0.21	0.81
Amoy	0.54	0.51	0.29	0.67
Taipeh	1.12	0.08	1.14	0.15
Tainan	0.89	0.01	1.46	1.31
Swatow	1.29	1.37	1.68	2.81
Canton	3.39	3.13	7.96	8.75
Kowloon	7.84	2.15	14.17	2.02
Lappa	1.54	0.21	0.36	0.92
Kongmoon	0.07	0.24	0.18	1.21
Wuchow	—	—	0.69	3.72
Nanning	0.05	0.10	0.03	0.15
Luichow	0.11	0.30	0.41	0.62
Pakhoi	0.11	—	0.31	—
Kunming	0.06	0.87	0.15	0.12
Tengchung	0.42	0.19	0.14	0.13
Sinkiang	0.03	0.02	0.05	0.12
Total ...	100.00	100.00	100.00	100.00

Hongkong Shipping Returns

In foreign trade; in millions of tons; total tonnage (entered and cleared):—

	No.	Tons.
1946	37,922	10.9
1947	38,146	18.5

Vessels Entered from and Cleared for Abroad: By PORTS

Port	Total.		January-December 1947.		Cleared.	
			No.	Tons.	No.	Tons.
Chinwangtao ..	157	491,194	85	254,327	72	236,867
Tientsin	134	394,379	61	183,375	73	211,004
Tsingtao	80	251,628	39	115,712	41	135,916
Shanghai	2,657	10,315,147	1,362	5,194,101	1,295	5,121,046
Foochow	96	163,612	45	77,248	51	86,364
Amoy	391	1,003,890	207	524,833	184	479,057
Taipeh	179	458,894	85	221,818	94	237,076
Tainan	107	388,222	54	190,003	53	198,219
Swatow	1,091	1,119,687	588	560,414	503	559,273
Canton	9,279	1,862,239	4,734	927,893	4,545	934,346
Kowloon	25,937	1,747,725	13,113	912,480	12,824	835,245
Lappa	18,857	856,507	9,694	396,862	9,163	459,645
Kongmoon	4,658	397,442	2,388	201,350	2,270	196,092
Nanning	174	56,812	79	28,508	95	28,304
Luichow	920	509,243	462	256,594	458	252,649
Pakhoi	58	16,544	29	8,240	29	8,304
Total	64,779	20,033,491	33,028	10,054,070	31,751	9,979,421

SHANGHAI:—Vessels Entered from and Cleared.
for Abroad, 1947: BY FLAGS

Flag.	Total.		January-December 1947.		Cleared.	
			No.	Tons.	No.	Tons.
American	904	4,588,441	459	2,304,371	445	2,284,070
British	689	2,303,492	352	1,171,882	337	1,131,610
Chinese (excluding Junks)	391	754,196	215	375,570	176	378,620
Danish	100	319,821	50	208,297	50	211,524
French	12	80,630	6	40,315	6	40,315
Greek	4	15,650	2	7,825	2	7,825
Italian	1	3,657	1	3,657	—	—
Netherlands	111	566,373	54	280,923	57	285,450
Norwegian	149	492,702	75	250,690	74	242,012
Panamanian	102	553,834	51	277,728	51	281,106
Philippine	42	88,652	18	44,670	24	43,982
Swedish	70	229,257	36	117,443	34	111,814
U.S.S.R.	45	145,982	23	73,454	22	72,528
Others	37	67,460	20	37,276	17	30,184
Total	2,657	10,315,147	1,362	5,194,101	1,295	5,121,046

Export Cargo of the Philippines

Total exports from the Philippines for 1947 reached 1,591,313 manifest tons. This figure is encouraging as it far exceeds the total exports for 1946. Nevertheless there is still a long way to go to equal a normal pre-war year such as 1938, during which 3,017,766 manifest tons of Philippine produce were exported.

Exports, by countries, for 1947 show the United States as being the largest recipient, with Europe next and Japan in third place.

During 1947 the Philippines exported to—

United States	1,007,293 tons
Europe	361,874 "
Japan	47,092 "
India, Malaya, Saigon ..	41,825 "
Africa	38,751 "
Canada	26,435 "
South America	23,508 "
China	22,178 "
Netherlands East Indies	18,770 "
Australia	3,577 "

Exports, by commodities, for 1947 were—

Alcohol	333 tons
Bamboo Poles	110 "
Beche de Mer	104 "
Buntal Fibre	56 "
Cigars	184 "
Desiccated Coconut ...	58,357 "
Coconut Oil	24,272 "

Concentrates	10,301 "
Copra	946,658 "
Copra meal	37,961 "
Embroideries	325 "
Empty Drums	2,590 "
Fish, Dried	217 "

Relative Importance of World Ports

In 1939, the total tonnage entered at the 15 leading world ports was as follow:—

	(millions of tons)
New York	35.4
London	30.8
Kobe	28.9
Rotterdam	23.2
Osaka	20.6
Philadelphia	19.1
Hongkong	18.9
Hamburg	18.9
Antwerp	18.8
Shanghai (1936)	18.8
" (1937)	18.2
Liverpool	17.0
Marseilles	16.5
San Francisco	15.8
Singapore	15.1
Los Angeles	12.5

While Shanghai, in pre-war years, usually took 10th to 12th place, Hongkong stood at 7th place.

Foods, Canned	2,297 "
Fruit, Fresh	336 "
Furniture, Rattan	7,078 "
Glycerine	9 "
Gums	1,465 "
Hemp	765,760 bls.
Hemp, knotted	59 tons
Junk, metal	11,320 "
Kapok	290 "
Logs	3,396,800 bft.
Lumber	461,501 "
Molasses	618 tons
Ores	187,661 "
Rattan	1,206 "
Rice	31,981 "
Rope	3,012 "
Rubber	1,762 "
Shells	1,219 "
Hides	1,280 "
Sugar, Raw	17,500 "
Tobacco	6,588 "
Lard	1,163 "
Wines	662 "
Transit cargo	2,126 "
General Merchandise ..	125,738 "

The chief item of export for the year has been copra, of which 946,658 tons were exported. Because of the abnormal shortages on out-turn weights, however, this figure is in excess of copra actually shipped.

A steady flow of "surplus material" accounts for most of the 125,738 tons shipped under the heading of General Merchandise.

Common carriers participating in the carriage of Philippine export-cargo during the year, were—

	American	British	Canadian	Chinese	Danish	Dutch	Filipino	Honduran	Norwegian	Swedish	Panamanian	French	TOTAL
Vessels	393	103	9	18	49	56	51	4	89	48	4	5	829
Tons	794,462	104,016	34,554	1,688	132,322	63,012	76,498	6,354	233,478	109,007	14,863	21,059	1,591,313
%	49.81	6.6	2.16	.10	8.31	3.95	4.80	.38	14.67	6.90	.92	1.30	100